



## Serb Troops Surge Into Gorazde as Defenses Fall

UN Observers Retreat To Center of the City; NATO Threat Ignored

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — Bosnian Serb forces surged through crumbling defenses around Gorazde on Friday and were on the verge of seizing the Muslim enclave despite warnings from NATO and the United Nations of new air strikes to protect UN forces.

U.S. administration officials said that Serbian forces had captured all strategic points in the enclave and that UN observers were pulling back into the center of the town.

"All the key strategic points in the city have fallen to the Serbs," an official said.

A British UN observer was killed in the fighting, complicating the situation for NATO since the rationale for air strikes earlier in the week was protection of the UN observers.

A well-placed American official said the UN commander, Lieutenant General Sir Michael Rose, had declared the situation "untenable" and said it was too late for U.S. bombing raids to try to deter the Bosnian Serbs.

The official said General Rose reported that he would withdraw all UN peacekeepers. The remaining UN personnel, numbering about 10, were in retreat to the inner city from the outskirts, officials in Washington said.

Bosnian Serb army leaders called on Muslim troops in the enclave to surrender and urged Muslim and Serbian civilians to take shelter behind Serbian lines, the Yugoslav press agency Tanjug reported.

Asked if the United Nations would be sticking to its commitment to protect UN personnel in Gorazde, one of six UN-designated safe areas in Bosnia, a military source said earlier in Sarajevo: "There is no question right now of air strikes."

The United States, NATO and the United Nations were trying to decide what to do next. They are trapped between a UN mandate that authorized a humanitarian relief effort but that was transformed this week into a military mission to prevent the capture of Gorazde.

An American official said that although the pace of meetings and consultations about Gorazde had speeded up, no meetings of NATO or the UN Security Council had been called.

"We are now trying to figure out what we should be trying to do," he said.

The North Atlantic Treaty Organization was holding its fire even though a French reconnaissance aircraft was hit by ground fire and two other British UN observers were seriously wounded to the renewed offensive against Gorazde.

At the White House, the presidential press secretary, Dee Dee Myers, said, "Clearly, we're concerned about Gorazde, and I think that the Bosnian Serbs should know that if they endanger the lives of UN personnel there, we stand ready to take the same action we took last week."

Earlier, President Bill Clinton, trying to cool tensions after American-led bombing in the

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## U.S. Air Patrols Halted for Day In North Iraq

Compiled by Our Staff From Dispatches

WASHINGTON — The United States suspended air patrols by combat planes over northern Iraq for one day on Friday to reinforce safety procedures that failed in Thursday's shootdown of two U.S. helicopters.

While the F-15 fighter pilots were being given additional safety briefings on Friday, AWACS radar planes continued operating over the "no flight" zone north of the 36th parallel, military officials said.

The AWACS could call in jet fighters in the event Iraqi aircraft were spotted violating the zone, the officials said.

President Bill Clinton on Friday promised a "full report to the American people" on "the horrible tragedy," in which 26 allied military personnel and Kurdish passengers were killed by fire from U.S. Air Force jets.

Mr. Clinton said he believed the allied mission in Iraq should continue despite the disaster. "It's performed a very valuable function" in protecting Kurds from Iraqi persecution, he said.

"We're going to stay on top of this, work through it, and make a full report to the American people," Mr. Clinton said.

Defense Secretary William J. Perry said it would take weeks to sift through the evidence to ascertain why two F-15 fighters shot down the two U.S. Army helicopters. All aboard were killed.

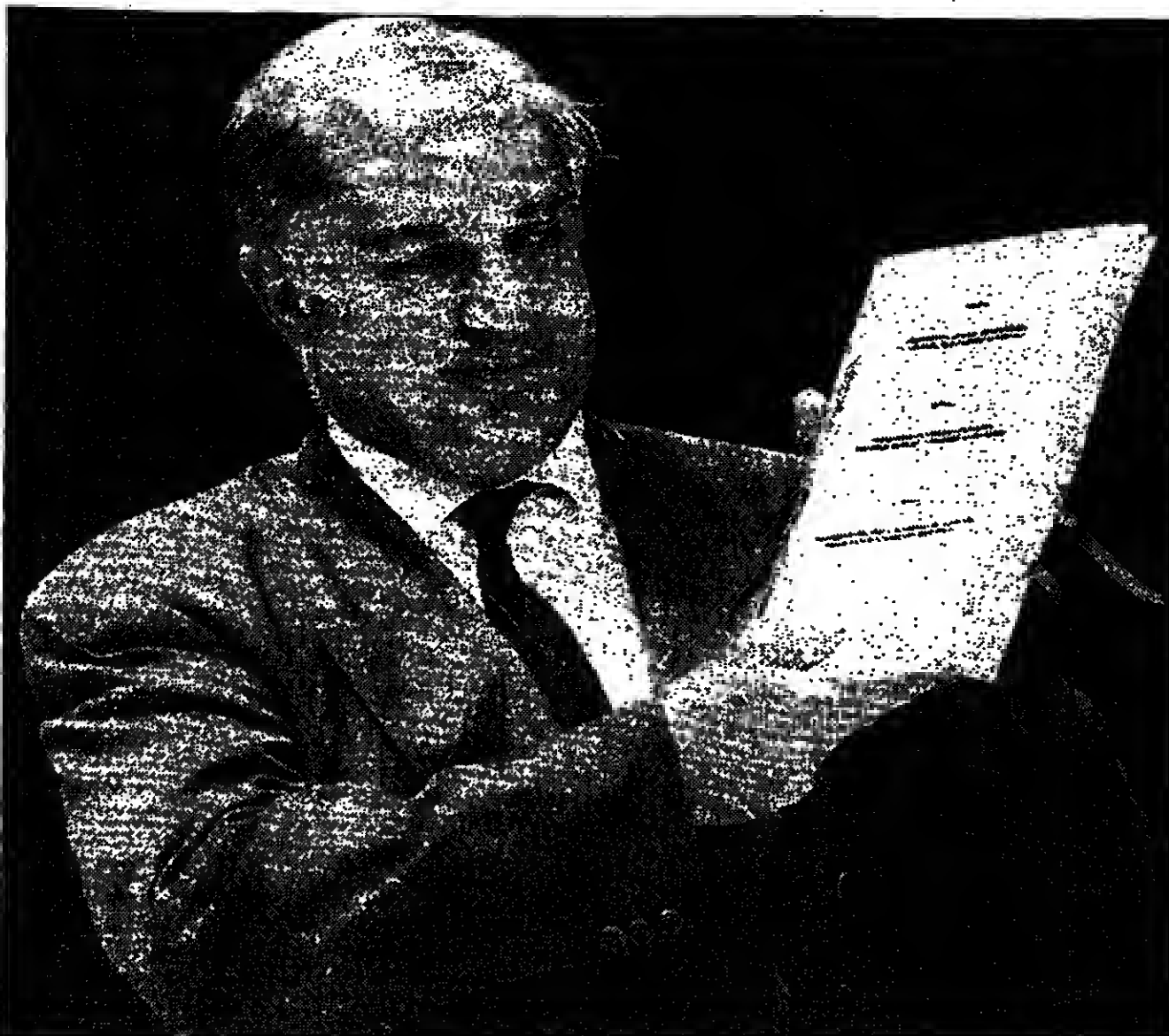
"If our procedures need change, we will change them and we will change them immediately," Mr. Perry said at a news conference. "If individuals are found to be culpable, we will discipline them. But we will not rush to judgment."

Fifteen of the 26 military officers killed were

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### Newsstand Prices

Andorra.....9.00 FF	Luxembourg 60 L. Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Caribbean.....1.40 CFA	Qatar.....8.00 Riels
Egypt.....E.P. 5000	Réunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....200 R
Gabon.....950 CFA	Senegal.....200 PTAS
Greece.....300 Dr.	Spain.....1,000 Din
Ivory Coast.....1,120 CFA	Turkey.....T.L. 15,000
Jordan.....1 JD	U.A.E.....8.50 Dirh
Lebanon.....US\$1.50	U.S. Mil. (Eur.) \$1.70



Peter Sutherland, GATT's director-general, before the signing ceremony of the Uruguay Round's Final Act on Friday in Marrakesh.

## World Trade Treaty Signed With Cheers Tempered by Anxiety

By William Drozdiak

MARRAKESH, Morocco — After seven years of agonizing negotiations, the curtain finally came down Friday on history's most ambitious effort to open world markets, as representatives from more than 100 nations signed a new global trade treaty here.

But as delegates and diplomats marched to the podium to put their signatures to the 26,000-page Final Act of the Uruguay Round, the celebratory mood was tempered by anxiety that the world was entering an ominous phase of tension between East and West, and North and South.

Persisting trade conflicts between the United States and Asia's two major powers, Japan and China, struck some experts here as evocative of bitter 19th-century rivalries when the United States was trying to pry open Asian markets.

Although the disputes may not ultimately lead to the kind of gunboat diplomacy practiced then, the political intractability on all sides has started to raise alarms.

Foreign Minister Tsutomu Hata, who is considered the front-runner to become Japan's new prime minister, met Friday with the U.S. trade representative, Mickey Kantor, but they failed to agree on reviving the so-called framework talks on a bilateral trade understanding that have languished since February.

Another long-standing conflict, this time between rich and poor nations, has begun to generate worries about a world economy that is becoming at once more interdependent yet more disorderly at the same time.

The vehement opposition of developing countries in Asia, Africa and Latin America in

defiance of appeals by Western countries for new standards for workers' rights and the environment has underscored the elating interests between rich and poor nations. The argument, which has dominated discussions here, suggests that the collapse of ideological blocs with the demise of the Soviet Union has now given way to stepped up struggle between haves and have-nots over future jobs and growth.

Even Uruguay's foreign minister, Sergio Abreu Donilla, chairman and one of the biggest boosters of this round of the General Agreement on Tariffs and Trade, was moved Friday to observe that the most common emotion felt among the various delegations at the signing ceremony was "a sense of shared dissatisfaction."

The treaty, which must still be ratified by the U.S. Congress and other parliaments, breaks new ground by cutting industrial tariffs up to 40 percent, slashing export subsidies that have made food more expensive, and setting new rules for trade in services and agriculture.

It will also create a new World Trade Organization to succeed the 47-year GATT and serve as the third pillar of the Bretton Woods system, along with the International Monetary Fund and the World Bank, in order to monitor trade and resolve disputes before they can damage the world economy.

Although the world trade treaty may stage off an early return to "the law of the jungle" that many experts feared would have occurred if the Uruguay Round had failed, leaders say the enormousness of the challenges ahead will make management of trade conflicts essential to avoiding future wars.

Just as the drive to open markets in Asia and

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## A Quick Study, Mandela Takes TV and De Klerk by Storm

By Paul Taylor

Washington Post Service

JOHANNESBURG — Nelson Mandela had just finished his first mock run-through of an American-style, televised presidential debate. "I am going home to study my notes," he promised his American media adviser, Frank Greer. "I will be better tomorrow. I know you told me I did well, but that is because you are a good psychologist."

That was Wednesday, Thursday night, it was 70 minutes of live television combat — Mr. Mandela, president of the African National Congress, versus President Frederik W. de Klerk in the first presidential debate in South Africa.

In between, the self-effacing neophyte, already the favorite to win the April 26-28 election, must have studied hard.

Mr. Mandela pummeled Mr. de Klerk from start to near finish with a barrage of stinging accusations on issues ranging from racism to corruption to state-sponsored political violence. Time and again, he flicked aside Mr. de Klerk's comebacks as "less than candid," treating them the way an imperious headmaster might dismiss the alibis of a chronic truant.

But then, in an extraordinary mood shift just before the close, Mr. Mandela reached out and offered a hand to his battered opponent. "I am proud to hold your hand to go forward," he said, ending on a graceful note of national reconciliation. "Let's work together to end the division."

Mr. de Klerk, normally an adroit practitioner of political stagecraft, had no choice but to clasp back and smile wanly.

What has been surprising is Mr. Mandela's interest in the art of television communica-

tion — a medium he was totally cut off from until he was 71. He could have cruised to victory in this campaign on his personal popularity and his organization's grass-roots strength. He chose to try to master a new craft.

The lopsidedness of Thursday night's encounter was not merely, or mainly, a product of coaching. It reflected the overwhelming tactical advantages that the candidate who spent 27 years in jail has enjoyed throughout this campaign over the candidate who was once his symbolic jailer.

Mr. Mandela's American poll-taker, Stanley Greenberg, has found that every time Mr. Mandela attacked Mr. de Klerk during the campaign, Mr. Mandela's stock rose. And every time Mr. de Klerk attacked Mr. Mandela, Mr. Mandela's stock also rose. "When the party of the oppressor attacks, you get a protective reaction from the people who were oppressed," Mr. Greenberg said. "They rally around Mandela and the ANC."

Mr. de Klerk did not do much attacking Thursday night. Neither did he bother pretending that he expects to win. He said he would serve with pride as Mr. Mandela's deputy president in the coalition government that will come to power next month. His appeal for votes mainly revolved around the argument that his National Party could provide the checks and balances that an ANC government would need.

Mr. Greer was ecstatic with his candidate's performance. "He had all the moments," he said. "He was tough enough to energize his base, but then he was able to reach out and appeal for reconciliation."

Mr. Greer has been here a half-dozen times

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South African police cadets taking a rest at a ceremony in Pretoria that was addressed by Law and Order Minister Hermus Kriel.

### Kiosk

## Russia and Ukraine Agree on Fleet

MOSCOW (WP) — For the fourth time in two years, Russia and Ukraine have reached an agreement to divide the disputed Black Sea Fleet and settle what has proved the most contentious issue in relations between the two countries.

The preliminary accord was announced by

President Boris N. Yeltsin of Russia and President Leonid M. Kravchuk of Ukraine on Friday.

Under it, the Ukraine Navy would receive 15 to 20 percent of the fleet. Russia would control the rest. The Ukrainian and Russian ships would then be stationed separately.

Up and Coming  
An occasional series about the leaders of tomorrow.

Takashi Fujimoto, a leading expert on the Japanese automobile industry, views conflict, competition and cooperation as equal parts of the game. In Monday's Trib.

Book Review

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## Federal Reserve Poised to Raise Rates

By Keith Bradsher

New York Times Service

WASHINGTON — Federal Reserve officials say they see no signs of accelerating inflation, but the country's central bank is signaling anew that it will raise short-term interest rates again anyway.

The reason: Fed officials say they think low short-term rates have already encouraged too much lending, giving stimulus to an economy that no longer needs it.

The Fed's goal, according to Fed papers, congressional testimony and interviews over the past two weeks, is a so-called "neutral" policy rather than a stimulative one. But the Fed's definition of neutral is likely to feel like a tap on the brakes to most Americans, slowing growth as companies and individuals pay more interest on their loans and mortgages.

The Fed stance means that investors, who have been trading in declining, turbulent markets the past month, may not be able to find comfort even if monthly inflation reports continue to show that current price increases are moderate, as was indicated by the data for March issued this week. Despite the positive numbers, the Fed will still be leaning toward pushing short-term interest rates higher.

The Fed's desire to rein in growth also could irritate the White House, which has signaled repeatedly that it sees no risk of inflation and little need for substantial increases in interest rates. Stock and bond markets fell sharply after both previous Fed increases, prompting President Bill Clinton and other officials to reassure investors that the economy was healthy.

The Fed stimulates or reins in the economy by changing short-term interest rates, as it did with quarter-point increases in its target for federal funds on Feb. 4 and March 22. At the time, financial markets interpreted the move as a sign that the Fed perceived incipient inflation that had somehow escaped private economists and investors.

To avoid rolling the financial markets, Fed officials do not like to talk publicly about monetary policy. Privately, they have let it be known that they do not see any immediate signs of accelerating inflation. But still they are signaling that they are uncomfortable with the current strong level of economic growth because it would eventually feed inflation.

Fed officials like to say that their old policy was accommodative to economic growth while the new policy is "neutral." Many have interpreted this as meaning that the Fed is neither

seeking to brake nor accelerate economic growth.

But the truth seems to be more subtle: The Fed is really trying to make the economy grow at the fastest rate possible without feeding inflation. By most economists' estimates, that would be below 3.0 percent — a level below that which many estimate the economy is now growing.

Nobody knows for sure how fast the economy grew in the first quarter because the official figures will not be available until April 28. But a consensus estimate of economists is that the economy grew 3.3 percent in the first three months of the year. Lowering the growth rate to a "neutral" level below 3 percent will require higher short-term interest rates, Fed officials say.

The main interest rate the Fed uses to influence the economy is the federal funds rate — the interest rate that banks charge each other for overnight loans. The fed funds rate is currently pegged at 3.5 percent, after the two increase earlier this year, which were the first in five years.

Officials refuse to say precisely how much higher the fed funds target would have to be to

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## Signs of the Times (the '30s and '40s) Prompt Second Look in Berlin

By Rick Atkinson

Washington Post Service

BERLIN — Subtle as a punch in the face, the sign hangs from a lamppost along a busy street in central Berlin: "Jews are excluded from sports groups."

Around the corner, another lamppost with another sign: "Jews may no longer work as independent craftsmen."

And another: "Jewish authors are forbidden from all literary activities in Germany."

On virtually every block throughout the

Schöneberg neighborhood of Berlin, passers-by are warned of yet another prohibition imposed on non-Aryans: 80 regulations in all that preclude Jewish doctors from practicing medicine, Jewish children from playing with non-Jews, Jewish smokers from buying cigarettes or cigars.

The neatly lettered signs are not evidence of a new wave of anti-Semitism, but rather are a stark memorial to the systematic oppression of German Jews that began in 1933 and persisted through the deportations and

genocide of the 1940s. In Schöneberg, art imitates history.

The project, titled "Places of Remembrance" and sponsored by the Berlin Senate at a cost of 300,000 Deutsche marks (\$176,000), is intended to remind residents here that evil once was stitched into the daily fabric of German life.

First posted on Berlin streets last summer, the signs have been so effective that the artists hope to duplicate them soon, with English translations appended, and ship the

replicas to Washington, where they will be displayed next fall as part of an exhibition on Holocaust art organized by the Washington Project for the Arts.

"It's intended to be a psychological work, which means something that makes people think all the time, something that makes them reflect," said Renata Stih, an artist who created the Schöneberg signs with Frieder Schmock, a colleague. "I wanted to do something that would be so anarchistic that it would look perfectly fine but would guaran-

tee that no one would ever sleep the same way again after seeing it."

Details of the Washington exhibition, which will travel to the Institute for Contemporary Art in Boston in early 1995, are still being worked out, according to Karen Holtzman, the curator who is handling the project for the Washington Project for the Arts.

About 30 artists, including Germans, Americans, Canadians and Israelis, are ex-

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# Cloud Forming Around U.S. Spy Suspect's Supervisor

By Craig R. Whitney  
New York Times Service

BONN — Milton Bearden, the CIA's station chief here, is a tall, jovial, blond Texan who in 30 years with the agency has worked in intelligence in Hong Kong, on the border of Afghanistan after the Soviet intervention, in Africa, and in Washington, where he was deputy director and later head of the Soviet-East European division during the Cold War.

That might turn out to have been his most dangerous post. One of the employees he supervised was Aldrich Ames, an agency employee arrested in February and charged with betraying vital secrets — and an unknown number of agents — to Moscow.

Since then, Mr. Bearden's reputation has been damaged by the publication of accusations that he had tipped off Mr. Ames that he was under suspicion and that, as a result, he has been forced to take early retirement. American officials here familiar with CIA operations categorically deny that.

"It is simply not true that he is leaving early because of the Ames affair," Ambassador Richard Holbrooke

said. "Milt Bearden is one of the most outstanding people I've ever worked with in 32 years of association with people in the agency and has served the nation with great distinction."

So important is the CIA's mission in Germany, where Mr. Bearden has been among those trying to strengthen ties with German intelligence and extend the hand of friendship to the post-Soviet Russian intelligence service in Moscow, that Mr. Holbrooke talked at length this week about the published reports with R. James Woolsey Jr., the director of Central Intelligence, and his operations deputy at agency headquarters in Langley, Virginia.

The weekly news magazine U.S. News & World Report said earlier this month that FBI investigators had obtained a CIA cable "indicating that Bearden had warned Ames in 1989 that he was one of several employees then under suspicion by counterintelligence officers."

Senior agency officials in Washington have assured the embassy that there was no such warning, accord-

ing to officials who said Mr. Bearden also denied having warned Mr. Ames.

Mr. Bearden will retire effective in January, but officials say he decided to do so for reasons connected with his pension.

Mr. Bearden and his deputy chief of mission, Donald Kirsch, have rallied to Mr. Bearden's defense at embassy staff meetings. Some of Mr. Bearden's subordinates were said to be wearing "press" badges Wednesday in mockery of the published reports.

Mr. Bearden also visited Langley last month at his own suggestion, embassy officials here said, to tell investigators what he knew about Mr. Ames, which was apparently relatively little.

As deputy chief of the Soviet-East European division (since renamed the Central Eurasian division) from 1985 to the summer of 1986, Mr. Bearden supervised Mr. Ames, who was head of the Soviet counterintelligence branch.

Both were involved in the interrogation of Vitali Yurchenko, a KGB official who defected to Washington in August 1985 and mysteriously fled back to the

Soviet Union three months later — some officials now think possibly because he figured out that Mr. Ames was working for Moscow.

After Edward Howard, a former agency employee identified by Mr. Yurchenko as a Soviet agent, escaped surveillance and fled to Moscow that same year, officials were puzzled by the arrests and deaths of a number of Russian agents working for the United States that neither Mr. Howard nor Mr. Yurchenko could have known about.

At that point, American officials say, a small group of senior CIA leaders drew up a list of 200 people privy to such information. Mr. Bearden put himself and Mr. Ames on it.

By the time Mr. Bearden returned to Washington as chief of the Soviet-East European division in mid-1989, after service in Pakistan, there had been no more deaths in Moscow, but the agency's search for those responsible for the earlier ones continued, officials said. The list had been narrowed to about 20, eliminating Mr. Bearden but not Mr. Ames, who was assigned to Rome from 1986 to 1989.

## WORLD BRIEFS

### Lesotho Mutiny Appears to Be Over

MASERU, Lesotho (AFP) — Sporadic gunfire broke out in the Lesotho capital, Maseru, on Friday, but South Africa's envoy to the tiny mountain kingdom said a military uprising that began early Thursday appeared to be over.

Prime Minister Ntsu Mokhehle went on national radio overnight to confirm that four cabinet ministers taken hostage by dissident troops had been freed. A fifth hostage, Deputy Prime Minister Selometsi Baholo, had been reported killed earlier.

Mr. Mokhehle appealed for calm and gave assurances that his government was in control of the situation. Genard Visser, Pretoria's ambassador to the kingdom, which is surrounded by South African territory, said the uprising appeared to be over.

### 7 Central European Leaders Meet

LITOMYSL, Czech Republic (Reuters) — The presidents of seven Central European countries on Friday discussed the integration of new democracies into Europe in the first day of an informal two-day meeting.

After the talks with the presidents of Poland, Hungary, Slovakia, Slovenia, Austria and the Czech Republic, President Richard von Weizsäcker of Germany said that his country was prepared to overcome differences with former Communist countries in the same way that it was reconciled with France after World War II in seeking a united Europe. "This time we want, together with France, to create a European Union in which no region is directed against another European region," he said.

But President Lech Walesa of Poland said that it was too early to create a "United States" of Europe because of continuing differences in development between Western Europe and new democracies.

### UN Envoy Is Hopeful on Cyprus Pact

NICOSIA (Reuters) — A senior United Nations official said Friday that despite setbacks, Turkish and Greek Cypriots could still agree by the end of the month on limited cooperation between the two sides.

"I think if the will is there the time is there as well," a UN special envoy, Gustave Feissel, said after meeting the Turkish deputy undersecretary of foreign affairs, Tugay Ulucevici, in the Turkish sector of Nicosia. "There is enough time still to bring this home. I think it is possible to achieve this within the time available."

The UN-backed measures focus on reopening Nicosia's airport and the resort of Varosha, both unused since Turkish troops landed in northern Cyprus in 1974 and divided the island after a coup in Nicosia backed by the military junta then ruling Greece. Mr. Feissel had two rounds of talks with the Turkish Cypriot leader, Rauf Denktaş, on Thursday in his efforts to secure an accord by the Security Council deadline of April 30.

### Correction

A front-page article in Friday's editions on the downing of two United States helicopters inaccurately described the origin of "no flight" zones in Iraq. The zones were imposed by the United States, Britain and France.

## TRAVEL UPDATE

### Channel Tunnel Safety Is Rated High

LONDON (AFP) — The Channel Tunnel is probably the safest under-sea tunnel in the world, bored through a stable and largely impermeable chalk layer more than 20 meters below the seabed and with built-in security features, according to a new report by a security and political risk consultant.

"Even if there were an earthquake or a large explosion in the tunnel or on the seabed, the chalk would seal itself without letting in the sea," said the consultant, Richard Clutterbuck, at a news conference held in connection with the release of his independent report. The report, published by the Research Institute for the Study of Conflict and Terrorism, also said the tunnel was more secure than the London subway system.

Virgin Atlantic Airways announced a new daily service between London and San Francisco, using Heathrow International Airport, beginning on May 17. A \$299 roundtrip fare is offered for travel from London before June 30 with a return no later than July 17, and with a Saturday night stay. (Bloomberg)

Beaches in Denmark are the cleanest they have been in 18 years, according to tests conducted at 1,288 locations, the Environmental Ministry said. Ninety-five percent of swimming areas conform to quality requirements of Denmark and the European Union, it said. (AP)

Part of the Amalienburg Palace complex, where the Danish royal family has lived for 200 years, was being opened to the public for the first time Saturday in Copenhagen. Queen Margrethe II planned to preside at the opening of a museum in the palace of Christian VIII, where her eldest son, Crown Prince Frederik, lives. (AP)

Chicago's O'Hare Airport handled more passengers than any other airport in the world last year, 65,077,508, the Airports Council International said in Washington. Second busiest was Dallas-Fort Worth, with 49,970,180 passengers, followed by London Heathrow, with 47,898,526; Los Angeles International, with 47,844,794; Atlanta Hartsfield, 47,088,487; Tokyo Haneda, 41,562,084, and San Francisco, 32,736,672. (AP)

## Parliamentary Races Go to 3d Round in Italy

ROME — Elections for leaders of Italy's new Parliament were forced to a second day after two rounds of voting in both houses on Friday failed to produce winners.

President Oscar Luigi Scalfaro cannot begin consultations to name a prime minister-designate, widely expected to be the media magnate Silvio Berlusconi, until the Chamber of Deputies and the Senate have elected their speakers.

Both assemblies were to resume balloting on Saturday with attention on the Senate, where the economist Carlo Scognamiglio of Mr. Berlusconi's Forza Italia party and Giovanni Spadolini, the former speaker, were in a close contest.

Mr. Berlusconi, whose rightist Freedom Alliance won the general election last month, raised the prospect of new elections if Mr. Scognamiglio is elected speaker, a post second only to state president under the constitution.

"A government cannot govern if its policies are not accepted in both branches of Parliament," he said. "Were that to happen, there would be no other solution than to go back to the electorate with a majority that would be confirmed and

strengthened by the experience. I hope this does not prove necessary."

The Freedom Alliance, which links Forza Italia, the neofascist National Alliance and the federalist Northern League, won a majority of 366 seats in the 630-member Chamber of Deputies last month but only a relative majority of 155 in the 326-seat Senate.

Mr. Spadolini, a Republican who is backed by the opposition left and center, polled 156 votes to 153 for Mr. Scognamiglio in Friday's first round and was ahead, 157 to 154, in the second.

An absolute majority of 164 of the Senate's elected and life members had been needed in the opening two rounds.

Conditions ease on Saturday, when an outright majority of votes cast will be needed for victory in the third ballot, and a simple victory will ensure success in a fourth round.

In the Chamber of Deputies, the Freedom Alliance candidate Irene Fivetti looked certain to prevail over the weekend and become the Parliament's youngest speaker since World War II.

## U.S. Envoy Rebukes Germans and Kohl On Foreigner Issue

By Rick Atkinson  
Washington Post Service

BERLIN — In an unusually blunt critique of rightist extremism in Germany, the senior U.S. diplomat in Berlin has chastised German society for intolerance, self-pity and "compulsive self-analysis," while rebuking Chancellor Helmut Kohl for insisting that "Germany is not a country of immigration."

"It is not reassuring that more progress is not being made toward guaranteed civil rights for foreigners in Germany," Douglas H. Jones, principal officer in the U.S. Embassy's Berlin office, said in a speech Thursday to a civic group in Oranienburg.

In a 15-page analysis of German strengths and weaknesses, Mr. Jones dropped the usually circuitous language of U.S. diplomats in Germany to deliver a pointed assessment based on five years' service in the country.

He noted that Mr. Kohl had "unequivocally condemned the anti-foreigner and anti-Semitic wave of violence" in Germany. But he nonetheless questioned whether it was "psychologically consistent" for the chancellor to assert, as he did last year, that Germany was both friendly to foreigners yet not a country of immigrants.

"If I were a skinhead, I would take a certain amount of comfort in hearing that Germany is not a country of immigration," Mr. Jones said. "That would signal to me that the nearly 7 million foreigners who live here legally do not belong here, and that I am justified in wanting them out. And to be honest with you, this sentiment is by no means limited to skinheads."

A Kohl spokesman said Friday that the chancellor's office had not seen the speech and had no comment.

Since reunification in 1990, Germany has been plagued with xenophobic violence. Mr. Kohl has been criticized for pandering to conservative voters in this election year by avoiding overt displays of sympathy for victims of neo-Nazis.

Mr. Jones said he did not know of a single foreigner, "including myself, who has not had on at least one occasion the impression, through an incident or a comment from a German, that he is unwelcome, that he does not belong here, or that his 'difference' did not attract unpleasant attention."

"If Germany is not a racist soci-

ety," he added, "why is its national law, which was written in 1913, predicated upon race? Public attitudes about minority communities in Germany are ambivalent, at best."

Although foreigners in Germany are entitled to a private cultural life, Mr. Jones said, "they are expected to adapt and conform."

"There is virtually no race-relations legislation, there is no immigration policy, because, as we know, 'Germany is not a country of immigration,'" he said.

Mr. Jones, who will retire next month after 21 years in the Foreign Service, is a fluent German speaker who is widely considered sympathetic to Germany. He said on Friday that he had not cleared his speech in advance with the U.S. ambassador, Richard Holbrooke, who has tended to be more circumspect in his criticisms.

In listing Germany's attributes in his speech, he said that the country was "prosperous, beautiful, at peace with its neighbors, generous in meeting its commitments, a creative force in achieving European integration and the aims and ideals of the United Nations."

He also noted that hundreds of thousands of Germans had publicly demonstrated to show solidarity with victims of extremist violence and that Germany had accepted far more refugees from the war in the Balkans than any other nation, including the United States.

Despite these attributes, however, Germans indulge in relentless self-pity, he added.

"The tendency toward compulsive self-analysis is contributing to the impression abroad that Germany lacks the will to confront its extremist problem pragmatically — that it is in fact paralyzed by its own history, like a rabbit confronted by a snake," Mr. Jones said.

He also criticized a recent proposal by a "high-ranking politician" — clearly a reference to Wolfgang Schäuble, parliamentary leader of Mr. Kohl's Christian Democrats — under which the German Army would be used as a police force to maintain order in the country.

"I can think of nothing that would bring to mind worse associations or that would give more of an impression of a state of crisis than this blurring of the distinction between internal and external security," he said.



IDLE FANCY — Spring was in the air on Friday as Russian soldiers looked over wedding dresses on sale on a Moscow street. But the soldiers will not be going home soon since the army has delayed spring demobilization because of problems with conscription.

## French Senate Passes Language Bill

Agence France-Press

PARIS — Rightists and Communists in the French Senate have united in defense of the French language, passing a bill that sets fines of up to 20,000 francs for people who use English words when a French equivalent exists.

Socialists abstained from the vote late Thursday, calling the bill "repressive" and "anti-youth."

A Socialist senator, Françoise Seligmann, who has assailed the bill for "xenophobia," said the senators were "attacking the language of our youths," whom she said would be "the first victims."

But a Communist senator, Yvan Renat, said French had to be protected from "American firepower."

The sponsor of the bill is Culture Minister Jacques Toubon, who has defended it as an "investment in the future," denying that it was a "rearguard battle."

Mr. Toubon said the measure did not aim to ban words that had long been established in the French language, like hot dog, sandwich or W.C.

The bill establishes a dictionary of 3,500 terms and technical expressions published on March 15 as the bible for the country's language police. Offenders will face fines ranging from 1,000 to 20,000 francs (\$170 and \$3,450).

The dictionary outlaws such English words as air bag, Walkman, crash, scoop and software, and provides French equivalents.

The bill, which must be approved by the

National Assembly next month, says French will be compulsory on public notices, in work contracts, in restaurants and public transportation, and during lectures and debates.

Mr. Toubon said his objective was to provide a "guarantee to the citizen, the wage-earner and the consumer that a foreign language will not be imposed on him to the detriment of the national language."

But Pierre Berge, former director of the Paris Opera and president of the Yves Saint-Laurent fashion empire, strongly attacked Mr. Toubon in an article in Le Monde.

A Socialist senator, François Autain, argued that the bill was unconstitutional and violated France's 1789 Declaration of Human Rights, which states that no one has the power to "dictate to another the forms in which he shall speak, write or publish."

## 'A French Nazi,' Prosecution Says of Touvier

By Alan Riding  
New York Times Service

PARIS — As the first trial of a Frenchman for crimes against humanity nears its end, lawyers for victims of Nazi persecution are arguing that the defendant, Paul Touvier, ordered the execution of seven Jews in 1944 because he was himself a convicted Nazi.

"This trial has revealed the true face of Touvier, that of a French Nazi," Alain Levy, a lawyer for one of the plaintiffs, told the nine-member jury. "The word is not too strong. Masks have fallen away. Touvier cannot fool you."

Joe Nordmann, another prosecution lawyer, described Touvier as "an auxiliary, an accomplice of the Gestapo," and added: "Touvier wore two helmets — that of the pro-Nazi French militia and that of the SS."

In four weeks of hearings, a court in Versailles has heard dozens of witnesses testifying to the 79-year-old defendant's role in the execution of the seven Jews, his anti-Semitic views and his protection by French clergy during his 45 years in hiding before his arrest in 1989.

But lawyers for the plaintiffs are now focusing on Touvier's links to the Nazi occupiers because, under French law, the charge of crimes against humanity can only be sustained if it can be shown that he was acting on orders of "a European Axis power" with an anti-Semitic ideology.

In contrast, if the killing of the seven Jews on June 29, 1944, is considered a "war crime," Touvier will be acquitted because he received what amounted to a presidential pardon for those crimes in 1971. But crimes against humanity cannot be pardoned and are not affected by any statute of limitations.

As a result, prosecution lawyers are trying to show that the ideology of Nazi Germany was embraced by the collaborationist Vichy regime and carried out by the militia, which Touvier served as intelligence chief.

"Even Mussolini's Italy, while an ally of Germany, showed more humanity than Vichy's France," Jean-Dominique Bloch, another prosecution lawyer, asserted.

Appearing before the court last week, France's chief rabbi, Joseph Siruk, said the trial would at last enable France to face its collaborationist past.

But he also said France's 500,000 Jews did not confuse Vichy with "the France we love." Rabbi Siruk added: "I want to pay tribute to France for wanting this trial to happen. I do not condemn France. Admitting a mistake is certainly the highest moral nobility."

In response, the defense lawyer, Jacques Tremolet de Villers, has used every opportunity to argue that Vichy is in the dock. "This is the trial of a man called Paul Touvier and the events at Rillieux," he said, referring to the Lyon suburb where the executions took place.

Touvier himself has also distanced himself from the Gestapo, even challenging evidence that he was close to Klaus Barbie, the Gestapo chief in Lyon who was condemned for crimes against humanity in 1987 and died in jail in 1991.

With the trial due to end Wednesday, the public prosecutor, Hubert de Toulzain, will present his final arguments on Monday. Mr. Tremolet de Villers will have the final word for the defense on Tuesday. If found guilty, Touvier faces a maximum sentence of life in prison.

## Oslo Calls Off Hunt for Submarine

Reuters

OSLO — Norway's armed forces called off the search on Friday for a possible foreign submarine in a deep fjord.

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An unidentified object was sighted late Wednesday in the 800-meter (2,650-foot) deep Tysfjord. Two coast guard vessels and a helicopter swept the area with radar and sonar.

"The search was called off early this morning," Lieutenant Colonel John Espen Lien said Friday.

Last year, Norwegians reported six sightings of unidentified marine objects, three of which turned out to be Norwegian or North Atlantic Treaty Organization submarines, he added.

Norway is the only NATO member that shares a border with Russia.

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# THE AMERICAS / MINORITY DISAFFECTION

## ★ POLITICAL NOTES ★

### Senate Committee Comes to Admiral's Aid

WASHINGTON — The Senate Armed Services Committee recommended that the U.S. Navy's top admiral be allowed to retire with his four stars intact, notwithstanding his role in the Tailhook sexual harassment scandal.

The recommendation on the retirement of Admiral Frank B. Kelso 2d, the chief of naval operations, now goes to the full Senate, which is almost certain to follow the committee's recommendation. The Senate must approve the retirement of all three- and four-star officers, or their rank reverts to two stars.

Although such approval usually is routine, Admiral Kelso's retirement was attended by controversy because of a navy judge's accusation in February that the admiral had witnessed misconduct by naval officers while attending the 1991 convention of the Tailhook Association, a naval aviators group, in Las Vegas.

The judge also accused him of trying to manipulate the navy's investigation into the scandal to hide his involvement. Admiral Kelso has denied both charges. Earlier this week, the Armed Services Committee took the unusual step of holding a hearing on the matter. The panel received testimony on Admiral Kelso's behalf from Defense Secretary William J. Perry, the chairman of the Joint Chiefs of Staff, General John M. Shalikashvili, and the navy secretary, John H. Dalton. All strongly backed Admiral Kelso, although Mr. Perry and Mr. Dalton acknowledged his "failure of leadership" in not acting more forcefully to prevent the scandal.

Last year, Mr. Dalton recommended to Mr. Perry's predecessor, Les Aspin, that Admiral Kelso be forced to retire early, but Mr. Aspin overruled him. Following the judge's ruling, Admiral Kelso agreed to step down this month, two months ahead of schedule, in exchange for a statement of support from Mr. Perry. (WP)

### Kentucky Senator Skips Leadership Race

WASHINGTON — Senator Wendell H. Ford of Kentucky, who holds the No. 2 Democratic leadership post in the Senate, took himself out of the running to succeed the retiring majority leader George J. Mitchell, while the chairman of the budget committee, Jim Sasser of Tennessee, edged further into the race.

Several senators said they expected a head-to-head contest — probably a close one — between Mr. Sasser and Senator Thomas A. Daschle of South Dakota, a Mitchell protégé and so far the only announced candidate to succeed him.

Some suggested that the race may shape up largely along seniority lines between Mr. Daschle, 46, one of many younger Democrats who came to the Senate from the House of Representatives in 1986, and Mr. Sasser, 56, a senator since 1976.

In a letter to colleagues, Mr. Ford, 59, said that "after consideration, thought and discussion" with colleagues "as well as long and meaningful reflection with my family," he decided to run again for assistant majority leader, or whip, rather than seek the majority leadership post. (WP)

### House Backs Death Penalty for 65 Crimes

WASHINGTON — The House responded to public demands for tougher punishment of violent criminals by voting to vastly expand the number of offenses punishable by death under federal law.

Lawmakers went on record, almost 3 to 1, favoring the death penalty for 65 crimes, including killings in the drive-by shootings and carjackings that have heightened public anxiety about violence. With the 314-to-111 vote, the House went along with the Senate's tough stance on capital punishment.

"Plain common sense tells us that the death penalty is the only way to send an unequivocal message that some conduct simply will not be borne solely by innocent victims of heinous crimes without the highest price being paid," said the chairman of the House Judiciary Committee, Jack Brooks, Democrat of Texas.

Mr. Brooks led a successful fight against an amendment, sponsored by Representative Michael J. Kuylenstierna, Democrat of Oregon, that would have made capital offenses defined in a major anti-crime bill punishable instead by life in prison.

Currently, the death penalty can be imposed under federal law for two crimes: killings in connection with a major drug ring or an airplane hijacking. The federal government last executed someone in 1963. Since 1976, states have executed more than 220 inmates. (WP)

### Quote/Unquote

Senator Alfonse M. D'Amato, Republican of New York, on the disclosure that the Clintons failed to report about \$6,000 in commodities-related income on their 1979-80 tax returns: "The president has sought to tax everything that moves and some things that don't. Now that the president has raised everyone else's taxes, we discover that he had not paid all of his own." (LAT)

### Away From Politics

- A dozen New York City police officers have been arrested on drug and weapons charges in connection with a corruption investigation, officials said. The officers, who all worked the night shift in a precinct in Harlem, are to be charged with offenses including selling, stealing and using drugs, selling guns and shooting a drug dealer during a robbery, all while on duty, sources said.
- Skiing naked will not be allowed to happen again at Crested Butte ski area in Colorado, resort officials said. They made the vow after about 40 men and women, apparently celebrating the end of the season, skied down slopes without clothing earlier this month.
- The American Society of Newspaper Editors has elected Timothy Gallagher, editor of the Albuquerque (New Mexico) Tribune, and Diane H. McFarlin, executive editor of the Sarasota (Florida) Herald-Tribune, to its board.
- A Roman Catholic priest in White Plains, New York, has been sentenced to eight years in prison after pleading guilty to having sex with members of parish boys' clubs from 1983 to 1991. The Reverend Edward A. Pipala told the judge that he had been a sex addict for 20 years but had overcome his problems with God's help.
- Workplace incidents of violence or threats of violence have been reported at more than half of U.S. companies, according to a survey. Reuters, AP, NYT

## Blacks Increasingly Want Own Political Party

By Thomas B. Edsall

Washington Post Service

WASHINGTON — Support for a separate black political party has grown sharply among black voters, as younger, poorer and less-educated blacks are showing increasing discontent with the choice between the Democratic and Republican parties, according to a new survey.

"Black nationalism remains a fundamental dividing line in the black community, and this is one area where we see sharp class divisions," said Michael Dawson, a University of Chicago political scientist who made public the initial findings from the survey of 1,206 randomly selected blacks.

"This report presents a preliminary portrait of the politics of black America," Mr. Dawson said, and shows a more radical black America than existed even five years ago. Mr. Dawson said the survey found blacks evenly divided on the issue of creating a new black political party.

On a series of questions, substantial majorities of blacks voiced pessimism about the future and were critical of the commitment to racial equality in the United States. A total of 86 percent agreed with the statement "American society just hasn't dealt fairly with black people," with majorities of 79 percent and 83 percent, respectively, who consider the U.S. legal and economic systems to be unfair to blacks.

On two different measures, black respondents in the telephone survey voiced support for Louis Farrakhan, the leader of the Nation of Islam.

In all, 62 percent said Mr. Farrakhan represented "a positive viewpoint within the black community," while 28 percent described him as a "dangerous extremist," and 10 percent did not answer the question directly.

Mr. Dawson said that on a "thermometer scale," in which 100 is strong warmth and

closeness and zero is hostility and coldness, African Americans gave Mr. Farrakhan a 59. This was lower than the 67 given to President Bill Clinton and the 76 to the Reverend Jesse L. Jackson, but higher than the 57 rating for Anita Hill and the 50 given the Supreme Court Justice Clarence Thomas.

The increased support for a separate black political party is a reversal of trends through the 1980s, when support steadily declined. In 1988, Mr. Dawson said, 26 percent supported a separate party, and in 1984 it was 30 percent.

Firm majorities of blacks surveyed said blacks should "participate in a black-only organization" (56 percent) and supported creation of all-black public schools for black youths (62 percent). But a decisive majority, 86 percent, opposed the suggestion that "black people should have their own separate nation."

Mr. Dawson argued that one reason for the growth in support for a separate political

party was the perception that leaders of both major parties, and most importantly of the Democratic Party, had made the calculation that "too close an identification with black interests is hurting them in national elections."

"The black community is very aware of these shifts," he said.

Responses to questions evaluating the Democratic Party did not, however, reveal a sharp increase in animosity. An overwhelming majority of blacks continue to identify themselves as Democrats, 86 percent. In 1988, 72 percent of blacks said the Democratic Party works very or fairly hard "on issues black people care about," and that fell by only 3 points, to 69 percent, in the survey conducted in late 1993 and early 1994.

The percentage who believe the Republican Party works very or fairly hard on these issues fell sharply, from 33 percent in 1988 to 17 percent in 1993-94.

## Charges Reduced In Killing as Mexico Lacks Proof of Plot

By Tod Robberson

Washington Post Service

MEXICO CITY — After charging that several people plotted the assassination of Mexico's leading presidential candidate, the government appears to be backing away from conspiracy theories and returning to its original assertion that the March 23 killing was the work of a lone, crazed gunman.

A source close to the investigation said a special investigator, Miguel Montes Garcia, may have been too hasty in his announcement April 4 that as many as six accomplices helped the accused gunman, Mario Aburto Martinez, assassinate the governing party's presidential candidate, Luis Donaldo Colosio. Mr. Montes's original findings led to the arrest and arraignment of Mr. Aburto and four other men in the case, while two others have yet to be charged.

The source said a review of videotapes, photographs and other evidence has failed to uncover sufficient proof of a conspiracy. As a result, charges have been dropped against one of the alleged accomplices and significantly reduced against four others — including Mr. Aburto.

supporters in Tijuana, in the state of Baja California.

In his original conspiracy charge, Mr. Montes said Mr. Aburto was assisted by at least six men who blocked and distracted Mr. Colosio's bodyguards so Mr. Aburto could gain easy access to the candidate and shoot him at point-blank range. Mr. Montes sought to support his claims with videotapes and photographs of the alleged conspirators in action.

But he has yet to provide a possible motive, nor have any of the alleged accomplices confessed. The source close to the investigation said the photographic evidence alone would not be sufficient to prove a conspiracy in court.

Mr. Montes announced Sunday that the presiding federal judge in the case, Alejandro Sosa, had dropped all charges against the accused organizer of the conspirators, José Rodolfo Rivepalacio, for lack of evidence.

In addition, Mr. Sosa reduced the charges against Mr. Aburto and three other accused co-conspirators from engaging in a "criminal association" to aiding and abetting a homicide. All four remain in a federal prison outside Mexico City as the investigation continues.

Mr. Sosa also reduced the main charge against Mr. Aburto from premeditated murder to murder with malicious intent, which carries a much shorter prison sentence than the 30-year term mandated for premeditated murder.



CASTRO'S DAUGHTER ON CUBA — Alina Fernández Revuelta, daughter of President Fidel Castro of Cuba, with a translator at Georgia State University in Atlanta. In her first speech since she was granted asylum in the United States in December, she deplored the desperate conditions in Cuba.

## Macedonia Sparks Rift Over Policy

By Steven Greenhouse

New York Times Service

WASHINGTON — In an open rift with the White House, State Department officials contend that the administration is bowing to pressure from Greek-Americans in delaying a decision to establish full diplomatic relations with the former Yugoslav republic of Macedonia.

Several State Department officials complained in interviews that while Washington has recognized Macedonia, the delay in sending an ambassador there was strengthening Greece's resolve to maintain its trade embargo against the former Yugoslav republic, which many officials say is dangerously heightening tensions in the Balkans.

Concerned that the Balkan unrest might spill into Macedonia, the United States has sent 325 peacekeepers there and announced Friday that it would send 200 more.

The failure to send an ambassador is all the more disconcerting, officials say, in light of the tough stance the European Union took on Wednesday in asking the European Court of Justice to enjoin Greece's embargo.

The Greek-American community has lobbied the White House intensively over Macedonia, urging President Bill Clinton not to recognize the country or send an ambassador to punish the former republic for adopting a name that Greeks consider Hellenic. Administration officials insist that their decision to recognize Macedonia shows they have not caved into political pressures.

The Clinton administration has criticized the embargo, which Greece began two months ago.

The State Department has urged Mr. Clinton to send an ambassador to Macedonia because he promised in February to establish full diplomatic relations once Macedonia fulfilled certain conditions. Those included recognizing the borders of its neighbors, establishing a free-market system, and honoring the embargo against Serbia. Macedonia has met all these conditions.

Greece has sealed off its northern border with Macedonia and is barring Macedonia from using the Greek port of Salonika.

On March 9, a dozen prominent members of the Greek-American community, including Senator Paul Sarbanes, a Maryland Democrat, and Greek Orthodox Archbishop Iakovos met with Mr. Clinton, Vice President Al Gore and W. Anthony Lake, the national security adviser.

## Commercial Use Seen For Old U.S. Missiles

By Edmund L. Andrews

New York Times Service

WASHINGTON — Hoping to find a peaceful, commercial use for relics of the Cold War, the White House is considering converting dozens of missiles from the U.S. arsenal and selling them to American industry for launching commercial satellites.

The rockets would come from the ranks of Minuteman, Poseidon and Trident intercontinental ballistic missiles that the Pentagon is decommissioning as part of the out-of-control reduction pact negotiated with Russia.

They would meet a growing demand from American satellite makers, who now are looking overseas to find launching vehicles.

The idea is one of several proposals in a broad review by the White House Office of Science and Technology, which is seeking ways to

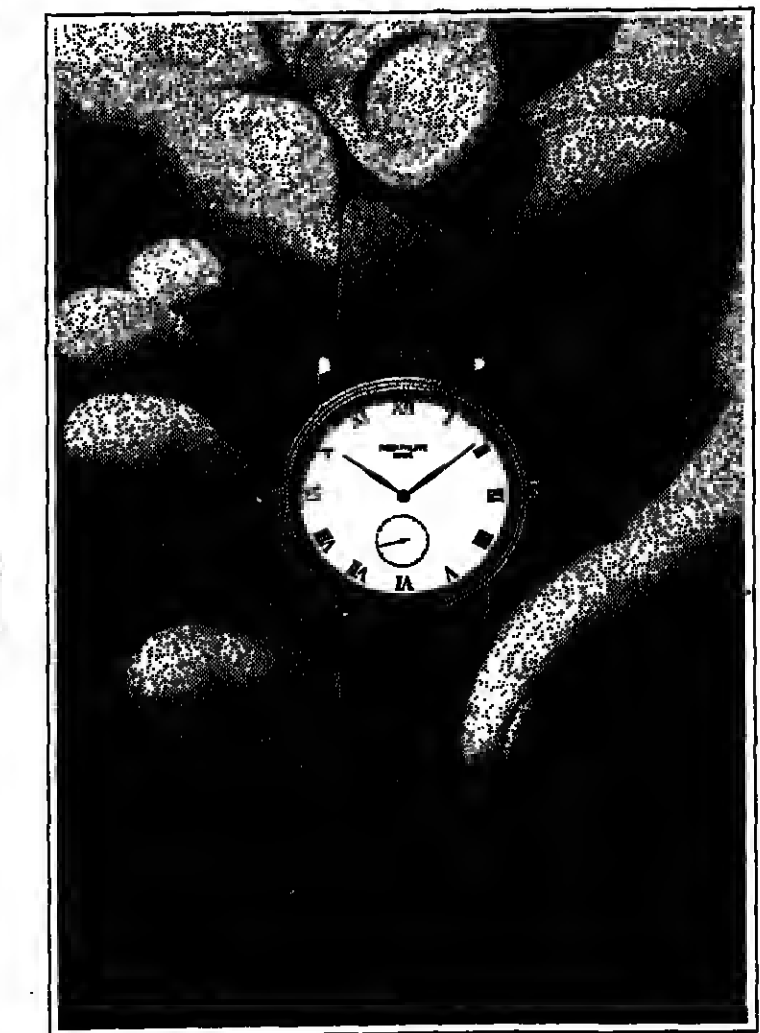
help the country regain leadership in commercial satellite launchings.

The administration is also weighing whether to spend billions of dollars on a new generation of commercial launching vehicles, or considerably less to upgrade the current generation of commercial rockets like the Delta, manufactured by McDonnell Douglas Corp., or the Atlas, produced by General Dynamics Corp.

Since the early 1980s, the U.S. commercial rocket industry's share of the global market for commercial services has plunged to 30 percent from 75 percent, chiefly because of competition from the lower-cost European consortium ArianeSpace.

The administration review, which officials hope to complete by June, has stirred intense debate within the government and industry. Rocket companies fear they could be put out of business by a glut of surplus military missiles.

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On March 9, a dozen prominent members of the Greek-American community, including Senator Paul Sarbanes, a Maryland Democrat, and Greek Orthodox Archbishop Iakovos met with Mr. Clinton, Vice President Al Gore and W. Anthony Lake, the national security adviser.

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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Bosnia as Chess Board

Not by accident, certainly, Bosnian Serb leaders arranged on Tuesday to have the cameras picture them playing chess. The content was response to NATO attacks on Serbian positions at Gorazde — attacks answering a new Serbian offensive. In a series of moves, Bosnian Serbs started chasing out the foreign press corps, detained United Nations peacekeepers, blocked convoys and hinted at reclaiming heavy weapons that they had earlier surrendered. You could say the Serbs took a few small pieces off the board. But they did not risk their major pieces. Such discretion would be consistent with the political isolation and economic embargo that define their essential strategic weakness.

It becomes clearer that the American side is also playing chess. It is adding to its policy mix not only military leverage but diplomatic initiative. The air strikes — and the air "demonstration flights" used on Thursday to stop the military contribution. The Croat-Muslim accord and the continuing effort, relying on Russian participation, to bring Bosnia's Serbs into a nationwide settlement make up the diplomacy.

President Bill Clinton was keen to say on Thursday that Serbs should not regard the

United Nations or NATO as enemy combatants. He said that the American purpose was not to try to win a military victory for the Serbs' Bosnian adversaries but to gain common adherence to UN rules and peace talks. This is a platform on which Russia, too, can stand. In fact, Russia is standing on it. A Russian negotiator is working vigorously to deliver Bosnian Serbs to UN terms. His labor proceeds despite Russia's complaints about not being consulted on NATO air strikes.

This is a definitive moment in the Balkans. Fatigue has brought an opportunity to contain a miserable war in a region that has its connections to the United States and where Americans can act in allied and international company. The root security of the United States is not involved, but as citizens of a global power Americans have an interest in helping curb these new-type national disorders, at least in well-chosen places and with an eye to the costs. The new military element in American policy, in particular, has raised anxiety. But the past responsiveness of Serbs to modest NATO military assertions cannot be denied. This is the right time to take some new risks on the Balkan chess board.

— THE WASHINGTON POST

## Work After Marrakesh

With great ceremony, the trade officials of more than 120 governments gathered in Marrakesh to sign a complex trade treaty on Friday. It is a sweeping revision of the rules of international trade, designed to take rich and poor countries alike where they have decided they want to go — toward more trade and more open markets. For most of these governments, ratification will be hardly more than a formality. But the United States will have to pass legislation to put the treaty into effect.

It needs to be done this year. That won't be easy, for Congress has its hands full, and a trade bill will have to go through the same committees as the legislation on health care and welfare reform. But until this trade bill is enacted, the United States will be hampered and handicapped in pursuing its own long and urgent agenda of complaints against other countries. They will merely reply that these cases are addressed in the new treaty and the solution is to get the United States to conform with it. They will usually be right.

This worldwide agreement has not stirred the same passions and ideological fervor among Americans as the trade treaty last year with Mexico and Canada. The most visible issue at the moment is to find the money — about \$13 billion over the next five years — to replace the revenue lost by tariff cuts. That

will certainly be resolved. But there are other and less obvious conflicts, and one of them is the struggle over dumping rules.

Dumping is the practice of selling abroad for less than the price at home, or for less than the cost of production. There are a lot of reasons for doing it — sometimes to damage foreign competitors, sometimes simply to preserve jobs. Present American law is biased in favor of domestic producers who want protection from imports. The new treaty will require a number of changes in U.S. law, and the lobbyists for the protectionist industries are hard at work to ensure that those changes preserve and expand their ability to shield them from foreign competition. If they win, it will be very expensive for the country as a whole because other countries will adopt the same provisions in retaliation and use them against American exports. There is a much stronger national interest in protecting the exporters, who are the winners in world competition, than in trying to prop up the losers.

The dumping sections of the trade bill will be exceedingly technical. They probably will not stir much attention except among legal specialists. But this trade bill could have as much effect on future growth of the U.S. economy as anything Congress does this year.

— THE WASHINGTON POST

## American Children at Risk

America's youngest children are in serious trouble, according to a panel of experts brought together by the Carnegie Corporation. So many children are growing up without adequate medical and nutritional care, intellectual stimulation or emotional security that the nation's ability to produce healthy workers and citizens is in jeopardy.

The Carnegie panel focuses again on two long-standing problems: the need for better health care and the problems of teenage mothers. While many of its recommendations are not aimed specifically at the Clinton administration, the panel's report can help shape the debate as the administration and Congress tackle health care and welfare reform.

The importance of what happens to children in their earliest years is not news. The Carnegie report builds on previous studies that have documented the wisdom and cost effectiveness of prenatal care, early health screening, parenting education and quality child care. But scientific research in recent years has re-emphasized how important a child's environment is to healthy development, particularly brain development.

That is why the cumulative effect of the bleak statistics in the report suggests a call to action on behalf of the nation's 12 million children under the age of 3. One in four of these children lives in poverty. One in four lives in a single-parent household. And one in three victims of physical abuse is not yet a year old.

The report points to the already well-documented and troubling changes in family structure over the last 30 years: the increase in the percentage of births to unmarried mothers,

from 5 percent in 1960 to 26 percent in 1988; the million adolescents who become pregnant each year, and the more than 500,000 who give birth. Nearly half of all children can now expect to experience a divorce between their parents and to live an average of five years in a single-parent household.

The 30-member panel — experts in medicine, business, education and other fields — recognizes that money is tight. But it encourages partnerships among federal, state and local governments, businesses, community organizations and individuals to help children.

There are two areas, however, in which the federal government can play a critical role. The panel joins the chorus calling for universal health care, and argues forcefully for comprehensive primary and preventive care, including immunization and well-child visits, as part of any minimum benefits package under health care reform.

The panel also helps make the case for efforts to train, educate and provide adequate child care for teenage mothers as part of welfare reform. Such help is crucial for the 73 percent of unmarried teenage mothers and the 46 percent of all teenage mothers who go on welfare within four years of giving birth.

The Carnegie panel has not made startling new discoveries, but it has spoken eloquently on behalf of children who cannot speak for themselves. Two clear needs stand out: adequate child care and health care. Without these, America will continue to fail its youngest children. The challenge now is to find ways to move beyond hand-wringing to action.

— THE NEW YORK TIMES

## Other Comment

### Showdown Time in Bosnia

Have the Serbs finally won in Bosnia? Or have they crossed a line that makes their defeat inevitable? Answers must come in the next week or two, and their impact on East-West relations may be drastic.

Sarajevo lives almost entirely on relief shipments. The Bosnian Serbs have closed the airport that brings in those shipments and imposed a blockade of overland shipments. Trapped in Sarajevo with its 380,000 inhabitants is the entire UN force stationed there.

The Serbs have in effect declared war on the United Nations. The UN force in Bosnia

cannot defend itself against the land mines and artillery shells intended to kill its people. If it must continue to face this level of hostility, it may well be forced to withdraw. And there would then follow the debacle of a total Serbian victory with a bloody sack of Sarajevo — or NATO intervention.

Europe has procrastinated in the Balkans long enough, alas, for the Russian right to awaken, and that awakening has grievously raised the stakes. One could wish it were not so, but it is so. In the days ahead, the trump card may be Russia's to play, but all of Europe and the United States are in the game.

— Los Angeles Times

# Bosnian Venture on a Wing and a Prayer

By Charles Krauthammer

WASHINGTON — With the bombing of Serbian forces besieging Gorazde, the United States effectively enters the Balkan wars. By committing itself to preventing selected Serbian military advances, it has enlisted, ever so gingerly, on the Muslim side.

This latest Bosnian policy-of-the-month consists of a wing and a prayer. Still, it might work. It is conceivable that prayer and air power will suffice. The Serbs might indeed be held in place by the loss of a tent, a truck and two armored personnel carriers (the total damage inflicted in the air strikes in the last few days). They could decide that it is useless to continue against this show of Western power. They might then return to the negotiating table and agree to a settlement.

But what if the air strikes don't work? Every other possible scenario coming out of Gorazde is bad, and the Clinton administration appears to have no strategy for dealing with any of them. Instead of winding down in the face of air strikes, the war could escalate. The Serbs have already responded by shelling Tuzla, harassing UN personnel and tightening the siege of Sarajevo. They wait to see whether Bill Clinton has the stomach to meet escalation with escalation.

Or the Muslims, having finally succeeded in bringing in American air power on their side of the ground war, might be emboldened to fight on rather than accept an unfavorable peace. In fact, after the Americans had finished bombing, all the shooting around Gorazde was outgoing Muslim fire directed at the surrounding Serbs. This obvious attempt to provoke the Serbs in order to bring on more NATO air strikes merited the Muslims a stern rebuke from President Clinton.

The worst scenario, however, is a Lebanon or a Somalia. An American pilot is shot down, captured, paraded or killed. The American people wake up to the fact that the Balkan bluff has turned to war. They weigh their interest in the conflict against the cost, and head for the exits.

Will the Serbs fold? The administration says that the bombing is a demonstration of "resolve." It could easily be taken as the opposite. The bombing runs were tactically useless. Said one disgusted supporter of a more vigorous air campaign: "The first time we use air power, we send F-16s with dumb bombs to attack a tent." In bombing as in chess (a favorite Serbian pastime), the threat is usually more powerful than the execution. In February, the threat of air strikes induced the Serbs to evacuate a 20-kilometer zone around Sarajevo. Next time, having seen the reality of air strikes, they might be less compliant.

The kind of exquisitely calibrated bombing that the Clinton administration is engaged in —

like the similarly limited, early bombing of North Vietnam — sends a message not of resolve but of ambivalence. It demonstrates the bomber's deep reluctance to engage in serious combat and the fervent wish to do the absolute minimum and quickly disengage.

The administration is reveling in the toughness it demonstrated with these bombing runs. But it is quite possible that very soon everybody, Serbs included, will have seen through the strategy. Having clearly ruled out sending ground troops, the administration has in effect declared that America's stakes are too low for a serious American military commitment. This is an invitation to the Serbs to call the bluff.

It is, of course, possible that Serbs are not as well acquainted as Americans with the Clinton administration's chronic lack of resolve in foreign policy. The United States still lives off the political capital acquired by Presidents George Bush and Ronald Reagan with their decisive actions in Grenada, Panama and Kuwait. That residual respect for American power, not yet

fully dissipated by Somalia, Haiti and repeated capitulations to North Korea, might yet be enough to persuade the Serbs to acquiesce and put in motion the administration's rosy scenario.

The administration defends the air strikes as a legally required response to United Nations requests for close air support. "I've assured President Yeltsin that we have no interest in using NATO's air power to affect the outcome of the war," said Mr. Clinton. This is patent nonsense. What other purpose is there? The only possible value of this operation is to tilt the balance of forces in favor of the Muslims and bully the Serbs to the negotiating table.

As in Vietnam, the United States bombs to paralyze. If it works, it would be a classic Clintonian move: threatening one's way to victory with a deft combination of bluff, threat and good timing. If it doesn't, America will, to its peril, have violated a cardinal rule of diplomacy enunciated half a century ago by the great political theorist Hans Morgenthau: "Never put yourself in a position from which you cannot retreat without losing face and from which you cannot advance without grave risks."

Washington Post Writers Group



By MITCHELL in The Austrian (György, GAW) Systems.

## Expect Prolonged Growth With Modest Inflation

By Laura D'Andrea Tyson

The writer chairs President Clinton's Council of Economic Advisers.

WASHINGTON — Fears of accelerating inflation have haunted the financial markets just at the time when the American economy has turned in its best inflation performance in decades. In 1993, the core indexes of consumer and producer prices — which exclude food and energy — registered their smallest gains in 20 years.

Favorable trends are continuing this year. The projected annual increase in the core Consumer Price Index over the past three months was 2.9 percent, the same as over the preceding nine months.

The administration, like most private forecasters, predicts an uptick in inflation in 1994, as continued growth raises the use of industrial capacity and reduces unemployment. We certainly recognize the critical need to remain vigilant against inflation.

The building blocks for a sustained expansion — smaller federal deficits, stronger business balance sheets, improvements in productivity, robust investment — are in place. It would be a missed opportunity if the expansion, suffered a premature end as a result of accelerating inflation.

So far, however, there are few signs of changes in the underlying causes of inflation. Rather, the financial markets appear to be reacting more to inflation myths than to realities.

Myth No. 1: Inflation can spike upward suddenly. Some commentators contend that inflation can strike at a moment's notice. History suggests otherwise. Since 1957, the first year for which core Consumer Price Index data are available, there have been only nine years in which the inflation rate increased by more than half a percentage point. Five were oil shock years: 1973, '74, '79, '80 and '90.

Oil prices can dramatically affect overall prices. Core inflation jumped six percentage points from '73 to '74, and the '79 oil shock raised core inflation by nearly three percentage points in one year.

Since 1957 there have been only four years when there was no oil shock yet inflation increased by more than half a percentage point: '66, '68, '69 and '78. The first three were Vietnam War years, when the economy was overheated; capacity utilization was well over 86 percent and the average jobless rate was considerably higher in '78, but that year was preceded by two years of rapid wage inflation, a trend we do not see now.

In short, it takes an oil shock or a severe overheating of the economy to produce a surge in core CPI inflation. Neither appears to be on the horizon. Oil prices are low and likely to remain so at least for this year. And today's capacity utilization rates, in the 82 to 85 percent range, are well below the levels at which inflation might spike upward.

Myth No. 2: Price increases for industrial goods presage higher general price inflation. The price indexes of the Federal Reserve Bank of Philadelphia and the National Association of Purchasing Managers increased noticeably in February and were blamed for fueling inflationary expectations.

It is true that these indexes are somewhat correlated with the production price index for intermediate goods (say, industrial chemicals and wood pulp) and other measures of commodity prices. It is also true that commodity prices, severely depressed in recent years, can be expected to rebound as the economy expands.

But in the past decade the purchasing managers' index has, unsurprisingly, been a poor forecaster of changes in CPI inflation. The managers' index is based on a narrow survey that includes only industrial commodities purchased by companies, a small part of the overall economy. Moreover, such commodities are becoming an ever smaller part of the total economy.

Myth No. 3: Wages will soon accelerate because we are so close to full employment. One source of inflation could be an increase in the growth rate of unit labor costs — that is, the cost of labor required to produce a fixed amount of goods. But unit labor costs have been decelerating, not accelerating, in recent years.

During 1993, unit labor costs increased by only 1 percent, compared with increases of 1.3 percent in 1992 and 2.5 percent in 1991. Over the past half year, they have fallen as wage changes have remained roughly constant in the face of increasing productivity growth. These developments lie at the heart of the inflation story.

But we are on the verge of accelerating wage inflation, as some observers suggest? No.

Even though the economy has created about 200,000 jobs a month over the past six months, wage

growth has remained slow. Average hourly earnings increased only 0.1 percent in March despite significant employment growth. Over the past 12 months, average earnings increased only 2.4 percent.

The major commercial forecasters believe that labor market pressures do not push wage inflation higher until the unemployment rate, as measured today, falls to the range of 5.9 to 6.3 percent.

The Council of Economic Advisers reaches a similar conclusion in its recent review of the relation between unemployment and inflation.

These views are reinforced by the economy's most recent experience. If labor markets were truly tight, there should be signs of mounting wage growth. But wage growth has been stagnant over the last year. Even when the unemployment rate falls to the 5.9 to 6.3 percent range, it is likely that wages will begin to drift upward only gradually.

And strong productivity growth will continue to moderate growth in labor costs.

Myth No. 4: Rising import prices will heat up inflation. During the past year, the dollar has depreciated against the yen and import prices of Japanese goods are up about 7 percent. But Japanese imports represent only about a fifth of total U.S. imports and only about 2 percent of our gross domestic product.

The prices of imports from the rest of the world are lower than a year ago, partly because the dollar has appreciated against most other currencies. Over the past year, prices of European, Canadian and other Asian goods are down about 1 percent, and imports from developing countries are about 4 percent cheaper.

Price increases for imports other than oil remain lower than the rate of core inflation, as has been true during the past five years. It is highly unlikely that import prices will be a source of accelerating inflation any time soon.

In the absence of an oil price shock, it takes a sustained period of strong pressures on productive capacity to ignite truly inflationary conditions. Unless capacity utilization exceeds 86 or 87 percent, or the jobless rate drops substantially below its current level for a prolonged period, these conditions are not likely to develop in the near future.

Instead, the economy seems well positioned to experience a decade-long phase of steady growth and modest inflation, much as it did from the mid-'50s to the mid-'60s.

The New York Times

## Flawed Buthelezi Does Have a Point

By Stephen S. Rosenfeld

WASHINGTON — The collapse, even before it began, of an international mission to lift the threat of further and terrible violence from South Africa's first all-race elections on April 26 to 28 is disheartening. It leaves untouched and new the profound differences in constitutional principle that separate the African National Congress and Zulu Chief Mangosuthu Buthelezi's Inkatha Freedom Party.

Chief Buthelezi is bound to take most of the heat for his stubborn refusal to facilitate the fragile possibilities of eleventh-hour reprieve.

The mediators had hoped to help South Africans prevent apartheid from yielding to ethnic violence and disintegration. This grim prospect arises only in part from the expected defiance of a white right-wing fringe. The real nightmare is the ugly black-on-black turf struggle between the ANC, the certain election winner, and a formidable Inkatha resistance.

In most American circles, any argument between the ANC and Chief Buthelezi is over before it begins. This personal qualities and political tactics — exemplified by his reckless trying with mediation terms — have brought him showers of contempt. People commonly dismiss the fears of domination professed by many Zulus (far from all) and attribute Chief Buthelezi's policies to sheer power-seeking.

Under its almost mythical leader, Nelson Mandela, the ANC has worked hard and successfully to present itself as a multiracial non-ethnic liberation movement worthy of leading a new South Africa. But you don't have to embrace Chief

Buthelezi or disparage the ANC to appreciate the legitimacy of the constitutional issue he raises.

The ANC wants a unitary state with strong central powers where ethnicity is subordinated to a single nationhood. Chief Buthelezi wants a federal structure that enables autonomous provinces to protect themselves from feared central power.

Like many others, I find Chief Buthelezi personally unappealing, his own worst enemy. Nonetheless, from an American's safe distance it is hard to tell him that federalism, a structure designed to protect minorities and check central power, is unfit for what is fairly called one of the most ethnically fragmented societies in the world.

"No issue is so central to South Africa's future," writes Patti Waldmeir of the Financial Times. "Will the political system guarantee ethnic minorities real power, or relegate them to the role of permanent, impotent opposition? Every democracy is, in some sense, the dictatorship of the majority. But can South African democracy survive if the constitution creates permanent losers who can never hope to rule? Can it prosper if a significant minority of the electorate rejects the legitimacy of the constitution?"

To me it makes more sense to say that the best interim constitutional structure for South Africa is whichever one South Africans agree on. I say this realizing that the ANC has already made some constitutional concessions and has its own traditions and constituents to answer to. But recent experience should have freshened everyone's appreciation that fundamental change in ethni-

cally defined political systems like South Africa, Yugoslavia, Czechoslovakia and even the Soviet Union must arise from consensus, not from acts of forcible dictate or from majority-rule dictate either.

The U.S. government plainly favors the ANC, but it has been at pains to stay aloof from direct comment on South Africa's constitution at all. Others point out that America's own experience may have a bearing. It started out with a confederation resisting strong powers to the states, found that it worked badly and moved on to a system in which states released powers to the center. This is the bottom-up evolutionary path that Chief Buthelezi would follow. The ANC favors a top-down central government devolving powers at its choice on South Africa's nine provinces.

The latest turn of events may invite the bloodiest of births for the new South Africa.

Pro-Inkatha Zulus can hardly expect to prevail in extended guerrilla war. But a responsible ANC-led government cannot possibly want to set out by having to pacify a determined, heavily armed minority in a hostile countryside. Somehow the possibility must be kept alive of constitutional consensus.

No doubt this puts a difficult burden on the ANC, impatient as it is to claim its waiting mandate and get on with governing. But there is nothing here disrespectful to the ANC's constancy, principles or leadership. The rewards for restraint are immense: to have an election that will be an instrument of healing, not division, and to take power in a country launched on peace, not war.

The Washington Post

## What About The Fate Of Asians?

By A. M. Rosenthal

NEW YORK — Americans keep talking about how clever the people of Asia are but keep acting as if they were dolt.

In the controversy about the coming of a young man from Ohio, somehow it does not occur to American business executives, journalists and politicians that Asians will ask why they close their eyes, mouths and hearts when the same canes scar the flesh of Asians.

Let's hope Singapore gives clemency to Michael Fay, now that George Bush is adding his appeal to Bill Clinton's. But let's also try, real hard, to grasp what Asians understand: from America the big human rights message is "Flog Asians only."

The legal screws are being twisted hard against Mr. Fay. In the past five years only 14 people, all Asian, were caned for vandalism — the charge against him. But for a list of other offenses, 1,208 Singaporeans and other Asians were caned to the blood in 1987-1988 alone.

Asians are not too doltish to know that Americans did not seem to give one solitary damn about that then, or now. Asians also realize that Americans still talk about Singapore as if it were some kind of Switzerland, running all neat and tick-tock.

The issue is not only vicious flogging, but the other laws of which that is part and symbol: detentions without trial, administrative imprisonment and political, press and academic control, the whole nasty authoritarian collection.

None of this is any secret to Americans who have the greatest moral responsibility to speak up: those doing business in Singapore. But when it comes to Asian skin, pain and liberties, they have accepted it all without protest or complaint — before the sentences against Mr. Fay, and since.

In China, American business accepts far worse. It accepts excruciating torture of Chinese and Tibetans. It accepts slave labor officially planned as part of the cheap labor so important to Communist growth. Compared with what goes on in China, Singapore's flogging cane looks like the torch of liberty.

I know many Americans who do business in China or hunt for it. They are people of attainment — music lovers, art collectors, politically active Democrats or Republicans, men and women who have flowered intellectually and made their fortunes under liberty.

They would perish under the kind of government that their investments support. We agree on that and many other things. But they oppose any effort to use America's tariffs and trade to try, at least try, to ameliorate tyranny, as the United States did in the Soviet Union and South Africa.

I wonder — would their acceptance of Chinese atrocities change if an American businessman were arrested and given the treatment that millions of Chinese and Tibetans receive in Communist prisons?

Suppose this American had his hands kept handcuffed behind his back, ratcheted so tight that he could not clean himself after using the toilet bucket in his cell?

Suppose he were tortured by electric batons? Shackled hands and legs to a board for days, with a hole cut out for defecation? Suppose he were whipped, not once, but whenever the guards wished, 30 strokes or 50?

Pages 75-77. I told a friend in business that I would send him a book in which these tortures are just a few examples. But he can get it himself from Asia Watch, 485 Fifth Avenue in New York or 1522 K Street in Washington — "Anthems of Defeat." That way, after he reads it, he will know where to send money.

Suppose an American were arrested and put in a cell where he could neither stand straight nor lie straight. Page 82. Suppose he were sent to a forced-labor brigade quarrying or finishing marble for export goods, where prisoners are deprived of food, sent to solitary or have their sentences extended for not meeting daily production quotas. Pages 104-111.

If that happened to an American, would my friends in the China trade then agree to a little American economic pressure, like removing low-tariff privileges? Would they go as a group to the Chinese foreign office to protest torture and slave labor for Chinese — or just talk about that one American?

That is the bottom-line message from American business: Flog Asians only — then in China, as in Singapore, it will be treated as it deserves. Contempt will be returned for contempt.

The New York Times

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Anarchist Chase

LONDON — While the Paris police are busy locking up unloaded anarchists, leaving the loaded ones at large, their confrères in London are having better luck. Now, they have made a great capture which seems to put them several steps ahead in the grand international anarchist chase. The man they have arrested is Francis Poli, an Italian dynamite-monger, crank and generally all-round dangerous idiot.

PARIS — M. Edmond Lepelletier, who had taken offense at an article published in the *Gil Blas*, fought a duel yesterday (April 16) with M. Guérin, editor of the paper. Swords were the weapons used. In the fourth engagement M. Guérin received a wound in his right hand which rendered him unable to continue.

### 1919: Fiume to Italy?

PARIS — There was no development of the Adriatic question at the

two sittings of the Peace Conference yesterday (April 16). A HERALD correspondent learnt yesterday that it is not proposed to hand over Fiume to the Yugo-Slavs. The issue now is to decide whether the city is to be internationalized or if it is to be entrusted to Italy. The Italian Premier is supporting the demand of the inhabitants of Fiume for annexation to Italy. This question has become the touchstone of the whole Adriatic problem.

### 1944: Heavy Fleet Losses

WASHINGTON — [From our New York edition.] Japan's war fleet is already damaged "so that she can never hope to make up the losses," and heavy new blows at it may be expected in the "next few months," Admiral Ernest J. King, commander in chief of the United States Fleet, declared today (April 15). "We are seeking opportunities to strike whenever we can get within range of their warships or bases," he said.



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What About  
The Fate  
Of Asians?

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## GORAZDE: Enclave Falling

Continued from Page 1  
former Yugoslavia, said NATO's role in Bosnia's civil war is "in firm but not provocative and not try to change the military balance."

Mr. Clinton said the United States "has no interest in having NATO becoming involved in this war to gain some advantage for one side or the other."

Defense Secretary William J. Perry said he did not know what caused the new round of fighting.

"All of this may be a prelude to more vigorous military activity or it may be a prelude to getting a better position at the negotiating table," Mr. Perry said. "We hope it is the latter."

Secretary of State Warren M. Christopher protested Serbian restrictions on the movement of more than 200 UN peacekeeping troops. "I hope it's a very temporary situation," he said Friday.

Mr. Christopher declined to call them hostages, though. "I don't know that it's helpful to attach particular labels," he told reporters after a 30-minute meeting with the Bosnian vice president, Ejup Ganic.

The decision not to call for immediate air strikes drew condemnation from the Bosnian prime minister, Haris Silajdzic.

"I don't know why there is no reaction to this," Mr. Silajdzic said in Sarajevo. "The credibility of the



A musician playing his cello in the center of Sarajevo on Friday while a Bosnian soldier stood by.

United Nations is about zero. It's absolutely outrageous."

"The Serbs are on the edge of town," said Major Daere Holloway, a UN Protection Force spokesman in Sarajevo. "The situation is very serious. It's possible the Serbs will take the town in the very near future."

In Naples, NATO's Southern Europe Command headquarters said a French reconnaissance aircraft was hit by ground fire in the Gorazde area but returned safely to the airport carrier Clemenceau in the Adriatic.

Bosnian Serbian army chiefs denied the Serbs had fired at the plane and blamed Bosnia's Muslim-led troops for the attack to try to provoke NATO attacks on Serbian positions.

UN aid officials in Zagreb said large numbers of people fled from the fighting into Croatia during the day, pushing belongings on wheelbarrows and carts.

"The Bosnian army has basically crumbled in the pocket," Major Holloway said, adding that the United Nations was "trying to negotiate some sort of a cease-fire to extricate their officers from the line of fire."

Gorazde straddles a key route linking Serbian-held eastern Bosnia with other territory controlled by Serbs in the southern part of the former Yugoslav republic.

The Serbian offensive was a serious blow in international diplomatic efforts to negotiate an overall cease-fire to halt two years of fighting.

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## U.S. Goal to Curb Saddam Is Unchanged

By Caryle Murphy  
and Thomas W. Lippman  
Washington Post Service

U.S. warplanes that mistakenly shot down two American helicopters over Iraq on Thursday provided a grim reminder that the United States still has unfinished business with President Saddam Hussein.

More than three years after a U.S.-led coalition drove the Iraqi leader's forces out of Kuwait in the Gulf War, the United States and some allies still have military units and relief workers in Iraq and are trying to force Mr. Hussein to submit in the will of the United Nations.

As long as he refuses to comply with UN Security Council resolutions aimed at protecting the Kurds, a non-Arab minority of northern Iraq, the United States and its allies will continue to run the combined humanitarian and military operation they assembled after the war to keep his forces at bay, Clinton administration officials said.

Washington has multiple foreign policy objectives in the Iraq operation, and Thursday's accident does not change them, officials said. These objectives include protecting the Kurds from Iraqi troops, keeping military and political pressure on Mr. Hussein by limiting his control over his own country, and providing enough humanitarian aid to keep the Kurds from fleeing en masse into neighboring Turkey and Iran.

On television news programs, said he was baffled over the disastrous mistake in which the U.S. Black Hawk helicopters were mistaken for Iraqi Hind helicopters.

"I find it very difficult to understand," Mr. Perry said. "The helicopters do not look very much like each other."

He said the F-15 pilots had made two passes to inspect the helicopters visually, but did not try to contact them by radio before opening fire. Such radio contact "was

The White House national security adviser, Mr. Anthony Lake, wrote in the most recent issue of the *Journal of Foreign Affairs* that Mr. Hussein's regime "is responsible for both war crimes and crimes against humanity, a regime whose invasion of Kuwait and gassing of its own people have rendered it an international renegade."

He and other administration officials have said that Iraq cannot be readmitted into the international community unless Mr. Hussein is forced from power or changes his ways.

No military accident, however unfortunate, is sufficient to undermine the administration's determination to keep Mr. Hussein an international pariah and protect the Kurds from his vengeance, officials said.

President Bill Clinton told Congress last week that "Iraq can rejoin the community of civilized nations only through democratic processes, respect for human rights, equal treatment of its people and adherence in basic norms of international behavior."

Asked Thursday if there were any implications for that policy in the helicopter accident, the State Department spokesman, Michael McCurry, replied: "I don't see any. We are putting a very clear emphasis today on the need to continue Operation Provide Comfort, the

operation for the relief, operation, which is run jointly by the United States, Britain, France and Turkey.

In the immediate aftermath of the 1991 war, 21,000 allied troops conducted the operation, combining humanitarian relief and monitoring operations out of a village near the Iraq-Turkey border with aircraft based at Incirlik, Turkey, enforcing the UN-created "no-fly" zone north of the 36th Parallel.

Now the operation consists of about 1,700 people, including Americans from the military, the Agency for International Development and voluntary organizations.

Mr. Clinton reported in Congress last week that "over the last two years, the northern no-fly zone has deterred Iraq from a major military offensive in the region." But he also said that a UN "special rapporteur" on Iraq has concluded that "the extent and gravity of reported violations" of UN resolutions "places the survival of Kurds in jeopardy."

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## Singapore to Let Review Circulate

Agence France-Press  
SINGAPORE — The government said Friday it would allow the Hong Kong-based *Far Eastern Economic Review* to circulate 2,000 copies a week beginning in May, after severely restricting sales of the news magazine over the past several years.

The decision was made after Re-

view Publishing Company Ltd. applied to circulate the magazine under provisions of the Newspaper and Printing Presses Act, the Ministry of Information and the Arts said.

Singapore authorities cut the magazine's circulation to 500 copies in 1987, saying that it had interfered in domestic politics.

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UN aid officials in Zagreb said large numbers of people fled from the fighting into Croatia during the day, pushing belongings on wheelbarrows and carts.

"The Bosnian army has basically crumbled in the pocket," Major Holloway said, adding that the United Nations was "trying to negotiate some sort of a cease-fire to extricate their officers from the line of fire."

Gorazde straddles a key route linking Serbian-held eastern Bosnia with other territory controlled by Serbs in the southern part of the former Yugoslav republic.

The Serbian offensive was a serious blow in international diplomatic efforts to negotiate an overall cease-fire to halt two years of fighting.

The Russian peace envoy, Vitali I. Churkin, earlier emerged optimistic from talks with Bosnian Serbs in their stronghold of Pale, near Sarajevo, but he said later that the situation was tense.

He said Thursday that he had thrashed out an outline truce with the Serbian president, Slobodan Milosevic, and Bosnian Serbian leaders, based on a general cease-fire for Bosnia.

Serbs have blocked UN traffic on their territory and detained or placed under house arrest more than 200 UN personnel.

In Sarajevo, a sniper fired at a streetcar passing a hotel on Friday and wounded four passengers, doctors at a city hospital told Reuters. The wounded were three women in their 20s and a 46-year-old man.

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"The Serbs are on the edge of town," said Major Daere Holloway, a UN Protection Force spokesman in Sarajevo. "The situation is very serious. It's possible the Serbs will take the town in the very near future."

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## A Onetime Darling of France

By John Russell  
New York Times Service

AMSTERDAM — A hundred years ago, people all over France were awed and impressed by the gigantic historico-religious murals of Pierre Puvis de Chavannes.

And when Puvis showed the nine muses levitating, or looting around in white shifts and doing oathing in particular, the public was captured, just as it is captured today by a Kurosawa movie or a daylong interpretation by Peter Brook of an Indian epic poem.

But times change, and perspectives change. So do expectations. The century in 1994 of the death of Puvis may or may not be a matter for heartfelt celebration around the world. But already (and through May 29) there is a retrospective exhibition of more than 140 paintings and drawings by Puvis at the Van Gogh Museum in Amsterdam.

Organized by Aimee Brown Price, an American who has been working on Puvis since the early 1970s, the show has had the enthusiastic support of the artist's family.

Much of the work will be unfamiliar even to the Puvis enthusiast, and it ends with a provocative epilogue in which works by Gauguin, Maurice Denis, Maurice Prendergast and Picasso indicate in varying degree the influence exerted by Puvis.

The show calls for a certain historical perspective. After France's crushing defeat in the Franco-Prussian war of 1870-71, Puvis gave both his heart and his low-keyed narrative gifts to the portrayal of the French provinces, one by one, as paragons of beauty and fecundity.

The women in those images were like figures lifted from Attic grave steles and tricked out in French national dress. Exempted in this way from the temporary misfortunes of their country, they spoke for an eternal and a perennial France.

No subject fazed Puvis. When asked to portray the legendary saints of France for the Pantheon in Paris, he went ahead with alacrity and even gave himself a cameo role as St. Trophimus, bishop of Arles. Faced with a subject like "All hail to thee, outrageous Picardy!" he gave it his best shot.

For officialdom, for academe, for ambitious municipalities and for some of the most gifted among his juniors, he was the indispensable point of reference. As much as Victor Hugo in poetry and Auguste Rodin in sculpture, he personified France.



One of Puvis de Chavannes' muses.

There was simply no escaping him. In Paris he made enormous decorations for the Pantheon, the Hotel de Ville and the Sorbonne, thereby imposing his unmistakable vision upon three key elements in the French capital — the sanctuary of the illustrious dead, the seat of civil authority and the orderly pursuit of learning.

The enthusiasm for Puvis was by no means confined to France. After he had been invited in 1893 to decorate the Boston Public Library and the enormous allegorical paintings were in place the results were described by Henry Adams as "the greatest things ever painted."

But even in his lifetime there were those who did not do to his work. In 1884, Edmond de Goncourt wrote in his diary that Puvis's 34-foot

(11-meter) wide "Sacred Wood" for the museum in Lyons was "a dismal apology for paint" and that "this Puvis de Chavannes nonsense has really gone on quite long enough."

At the time of the student revolt in Paris in 1968, Puvis's monumental hemicycle in the Sorbonne was regarded as the apotheosis of an unchanging and unchangeable educational regime. Yet Puvis exerted a certain influence on Saurat and Gauguin. The relationship between them and Puvis was often thought of as, at best, a historical curiosity, because both Saurat and Gauguin endowed us with a view of modern life that was infinitely more vigorous and more challenging than that of Puvis.

The Amsterdam show is timely, therefore, not because of an imminent centenary but because Puvis is due for re-evaluation.

Visitors who wonder why the show is held in Amsterdam, rather than in a French or an American city, will find the answer in a famous letter from van Gogh to his sister, Wilhelmina. Writing in 1890, the year of his death, van Gogh included a sketch from memory of Puvis's "Inter Artes et Naturam," which he had lately seen in Paris.

VAN GOGH loved that picture. "When you look at it for a long time," he wrote to his sister, "you could imagine yourself present at the rebirth of everything that you ever believed in, and of everything that you ever desired." It was the portrait, in other words, of a "strange and providential encounter between ancient and far-off times and raw modernity."

The mix of drawings and smallish paintings works very well. Puvis the draftsman brings a fresh energy to the figure of the executioner in "The Beheading of John the Baptist."

As an easel painter on a small scale, he could come across with a physical plentitude and an overpowering sexual vibration. In the big decorations, those traits get bleached out, or drained out, or both. (The little painting called "La Toilette" from the National Gallery in London is a marvelous example of what he could achieve.)

The exhibition also shows that Puvis had a sense of humor that he kept secret from the public. He could make fun of himself, of the official Parisian art world, even of his own idealized view of ancient Greece. (See, for that, the drawing of Pegasus throwing up at the sight of a modern Greek.)

Altogether, much to be learned.



John Varley's view of London from Greenwich Observatory, painted toward the end of the 18th century.

## A Golden Era of Watercolor

International Herald Tribune

LONDON — Of all the great art creations of Europe, few have failed so signally as British watercolorists to reach the level of international acclaim their greatness deserves. Perhaps it is just as well.

In museum shows, they are spared the horrors of art-historical discourse as its most pompous. On the auction scene speculation has yet to overtake them and discoveries continue to be made every day.

Two sales, at Christie's on Tuesday and at Sotheby's on Thursday, confirmed that, while the trickle is getting thinner, things do not fundamentally change. In any other field, the revelation of such a wonderful work as the view of "Barnmouth Sands" by David Cox that turned up at Christie's would make headlines. It was probably done between 1810 and 1820. On a vast sandy stretch in nuances of golden ochre, a woman is bidden on a horse, behind a man who leads by the bridle another horse loaded with a huge bundle. Heavy clouds roll over hazy hills at left and two tiny silhouettes can be made out in the distance. It is a picture of loneliness and immensity, as subtle in feeling as it is light in its touch. Cox, a household name among English collectors, is barely known outside Britain. The masterpiece, which made £2,990 (\$4,485), had never been reproduced until the sale catalogue came out.

Nor had John Varley's landscape with the Greenwich Observatory in the foreground, done as a study in perception through haze, in the closing years of the 18th century. The discovery is a small sensation. It cost its unidentified English collector £4,370, a lot as such watercolorists go and a trifle if measured on the scale of international prices.

The reasons for this underpricing are manifold, but first and foremost comes the fact that, unlike a sketch by Claude Lorrain or Alfred Sisley, British watercolorists were mostly done by artists who did not paint in oils, but only sketched in pencil and watercolor on paper. They illustrate one of the most intriguing episodes of European art history in modern times, which began around the third quarter of the 18th century and lasted just over 100 years. Most of the artists developed outside the established artistic channels as if they belonged to a different world. And to a large extent they did.

Varley, who was born in 1778, started out as an apprentice to a silversmith and took drawing lessons in his free time. He later

studied at Dr. Thomas Monro's "academy." But in the main Varley was his own master, free of attachments.

Cox followed a similar path. Born in Birmingham in 1783, he was the son of a blacksmith. At first, he trained under a designer of jewelry ornament and then turned his hand to scene painting. In 1804, he went to London and almost at once took drawing lessons from Varley. By 1808, Cox was ready to set up as a drawing master in Dulwich, immune from the

## SOURIN MELIKIAN

influence of international trends in Europe. His composition of "Barnmouth Sands, Northumberland," sold at Christie's for £1,995, shares only the most superficial resemblance with comparable European landscapes.

A glance is enough to show that Cox has disregarded topographical detail. The emphasis is on atmospheric effects, on volumes molded by light, on the suggestive value of hues to convey a mood.

Peter de Wint likewise came from the depths of Britain, even if his father was a New York physician who had settled in Stoke-on-Trent. In 1802, he left for London to be trained by an engraver, John Raphael Smith and by 1806 he, too, was taking lessons from Varley.

Sotheby's sale included an admirable view of the Trent, which, according to Sotheby's expert Henry Wemyss, was probably done in the 1830s. A broad band of elongated sky is reflected in the meandering estuary in steady streaks of gray and white. A similar coloristic counterpoint connects a low hill at right and the darker shades of ochre on a sandy expanse at the foot. Unlike anything else at that time in Europe, this small masterpiece sold for £5,590.

Even the great Thomas Girtin, who had a more formal and sophisticated training, moved in the same unconventional direction. A small view of Tintern Abbey, in Monmouthshire, which dates from about 1796 when Girtin was 21, shows how color and light prevail over unessential detail. The trees are done in light fluffy billows of green or sandy ochre, the river is stylized in parallel streaks of color. The gain cost its buyer £17,250 — Girtin, like John Robert Cozens, falls in a different financial league.

The next generation was more adventurous, and much more versatile. Some of its artists seem to have had no trouble in traveling different roads at the same time. John Linnell (1792-1882) studied while still in his teens under the perennial Varley, but there is

not much to show for it in his work. A view of "Hampstead Heath — Branch Hill Pond" in brown wash was included in Sotheby's sale. It may have been done in 1828. The vigorous, oerous sketch of dark trees at the top of sloping grounds, with a gleaming pond in the foreground, has a somber naturalism that sets it apart. At £2,050, it was a bargain.

Immediately afterward, there came a delicate view of a large pond amidst trees done like pale brown shadows, which betrays the influence of Turnerian compositions. Painted in light allusive touches, it has a poetic feel utterly different from the harsh and dark "Hampstead Heath." Its easier appeal sent it flying to a generous £14,950. That does not nearly exhaust the range of Linnell's styles.

BUT for freedom and versatility no one quite beats Edward Lear, whose career was roughly contemporary with Linnell's, even though he was born the year Linnell painted "Regent's Park." Lear was a self-taught artist who started doing bird drawings for the Zoological Society and moved from birds to topographical drawings.

In 1837, he set out for Italy, embarking on a life of constant travel — Albania, Greece, Malta, Egypt, the whole length of India. The quick sketches he made by the dozen are his best. They were the visual shorthand notes that provided the basis for the carefully finished watercolors and the travel books he would produce back in England. They are abrupt and full of fantasy like the onerous verses for which he is famous. One of these terse sketches seen at Christie's shows the Nile as a long horizontal strip with spindly palm trees going up like oodles. It brought £3,680. Lear's finished watercolors are so different they could be from another artist. The view of Euboea in Greece is an idyllic vision of palm trees and cypress trees. At £2,530 it hardly seemed overpriced.

The last great generation was that of Albert Goodwin, who reverted to the Romanticism of the 1840s ("Whitby Abbey at Sunset," done in 1907, a beautiful watercolor, was disregarded and made a mere £1,035 on Tuesday), and of Hercules Brabazon Brabazon, who oscillated between the picturesque and occasional masterpieces in a highly advanced style. Of the latter, there were none this week. With them, came the end of the art and, some would say, of any art in Britain. The alternative, henceforth, was to be kitsch or labored nonentities dubbed modern art.

## The Looting of East Europe's Art

By Jane Perlez  
New York Times Service

BUDAPEST — With the opening of Eastern Europe's borders, its little-visited museums and poorly guarded churches are being stripped of paintings, manuscripts and religious objects by thieves.

Some of the stolen art has surfaced in the Western art market. But many pieces, like nearly 200 artifacts stolen from the Budapest Jewish Museum in December, are so rare and so recognizable that selling them would be virtually impossible, art experts said.

The Jewish collection, which included exceptional examples of 17th-century silver Torah decorations, was worth "many millions" of dollars, William Gross, a Judaica collector in Tel Aviv, said. But the financial valuation, as in most art robberies in post-Communist Eastern Europe, is not the most important point. Rather it is the historical and cultural loss just when nations are trying to retrieve their identities after four decades of communism.

And for many countries, the surge in robber-

ies is only the latest chapter in a century of art pillaging. During World War II, Hitler's armies took many prized possessions back to Germany. Afterward, the Soviet Army hauled many objects back to Russia. But unlike those episodes, the current phase appears to feed the Western antiquities and art trade.

"These countries are hemorrhaging their heritage," said Constance Lowenthal, the executive director of the International Foundation for Art Research, in New York. "The devastating combination of open borders, the need for hard currency and a ready and unscrupulous market in the West makes for a recipe of cultural disaster."

In the Czech Republic and in Slovakia, Baroque churches are being ransacked of wooden carvings and sculptures, paintings, and altars. Each year since 1989, at least 20,000 valuable objects have been shipped across the Czech border into Germany, Czech art historians say.

In Poland, art thieves specialize in religious art from haphazardly guarded Roman Catholic churches. The Vatican became concerned last year and ordered Polish dioceses to inventory their artifacts, said Wojciech Jaskolski, the director of cataloging at the Center for the

Protection of Public Collections in Warsaw. And in a sign of how urgent the problem has become, each edition of the Polish magazine Art and Business devotes two pages to photographs of the latest valuable missing art.

THE theft at the Jewish Museum was the most stunning loss in Eastern Europe. It was apparently the work of a professional gang who knew that the building adjacent to the Central Synagogue was closed for renovation and had only an antiquated alarm system.

The thieves chose a day when the usually busy street in the Jewish quarter was quiet and it was possible to leave heavy suitcases, packed with the objects, out a window without being detected, the police said.

"It would be the equivalent of someone stealing all the Americana in the Smithsonian," Gross said. The pieces were irreplaceable because they gave material evidence of Hungarian Jewish history. "You couldn't get 10 percent of it back from outside sources," he said.

The museum, just reopened, will display remnants of the collection kept in the basement, most of it uncatalogued and of less value than the stolen pieces.

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## auction sales

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Wednesday, April 20, 1994

Room 5 & 6 at 2.15 p.m. - ART NOUVEAU - ART DECO. VERY FINE JEWELS "COUTURE ET HAUTE COUTURE" FROM THE YEARS 30, 40, 50, 60 MAINLY CHANEL-GIVENCHY-NORMAN HARTNELL-SCHIAPARELLI. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Kitty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97/737 38 13 - Fax: (212) 861 14 34.

Monday, April 25, 1994

Room 4 at 2.15 p.m. - ANTIQUE BOOKS FROM THE COLLECTIONS OF FAMOUS WRITERS. Expert: M. Courvoisier. ZAFIROPOLO LIBRARY. ILLUSTRATED BOOKS FROM REVOLUTION AND ROMANTIC PERIODS. ORIGINAL EDITIONS FROM 19th & 20th Centuries. Experts: M. Beres, M. Courvoisier. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Kitty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97/737 38 13 - Fax: (212) 861 14 34.

Wednesday, April 27, 1994

Room 1 & 7 at 2.15 p.m. - M.B. COLLECTION. FURNITURE AND OBJECTS D'ART - SILVERWARE - EASTERN ART - ART NOUVEAU - ART DECO - OLD MASTER AND MODERN DRAWINGS AND PAINTINGS. Experts: MM. Le Fuel and de l'Espe. Dèchaut and Senter, Portier, Camard, Turquin. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Kitty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97/737 38 13 - Fax: (212) 861 14 34.

Wednesday, April 27, 1994

Room 7 at 2.15 p.m. - OLD AND MODERN BOOKS. Expert: M. Benelli. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Kitty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97/737 38 13 - Fax: (212) 861 14 34.

Friday, April 29, 1994

Room 6 at 2.15 p.m. - DRAWINGS 1820-1920 - Expert: M. Bailly. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Kitty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97/737 38 13 - Fax: (212) 861 14 34.

## In Finland, Concepts for Urban Life

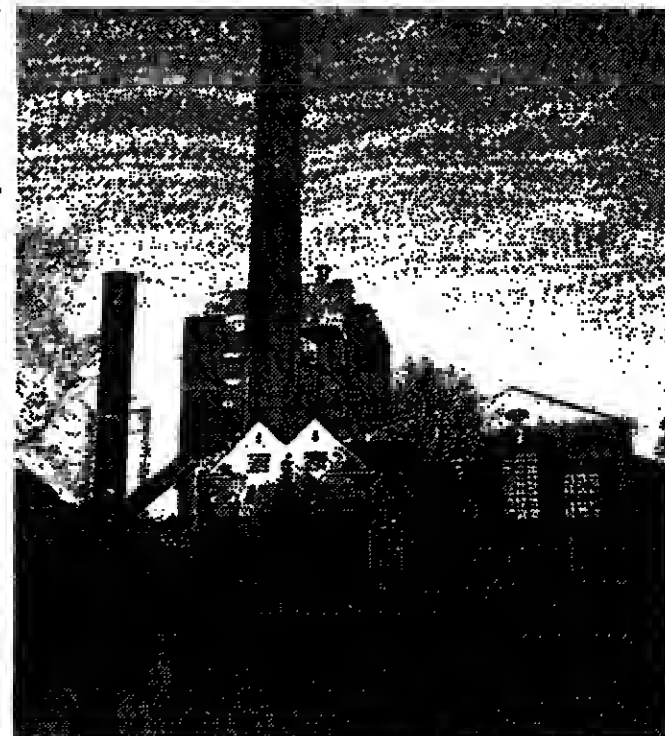
By Ken Shulman

TURKU, Finland — 0.1, 1.2, 3, 5, 8, 13, 21, 34, 55. This is an arithmetic sequence, discovered by a mathematician named Fibonacci, in which each integer is the sum of the two integers that preceded it. Articulated in Pisa during the 13th century, the apparently simple Fibonacci sequence encodes in its cumulative progression the secret of the growth of plants and of spiral forms in nature. And it may also contain the formula to generate a concentric rebirth in this sleepy university town and former capital of Finland.

"Our profession is numbers," says Klaus Anderson, the director of Oy Telesaktia AB, a Turku-based telephone-directory company that is sponsoring the first of a series of artworks conceived to transform Turku into a city of conceptual environmental sculpture: Mario Merz's Fibonacci sequence from 1 to 55 in two-meter red neon numbers descending the 100-meter smokestack of the Turun Energia-laitos coal-fired power plant.

The Finnish capital until 1812, Turku is a port city of 160,000 whose population includes 40,000 students who attend the city's Finnish and Swedish language universities. Turku is best known as a stopover port for the many Swedes and Finns who take the 12-hour cruises in the Nordic summer light.

"There are nearly 4 million people who pass through this port each year," said Deputy Mayor Armas Lahonlahti. "If only a tenth of them



Turku smokestack where Merz will install his sculpture.

came ashore, it would make a big difference for this town and for everyone in it."

Conceived in 1993 by Amnon Barzel, artistic director, and Paivi Kili, project director, the Turku European Sculpture City project is an ambitious plan to create 20 conceptual artworks within the city by the end of 1995.

Ten artists have already submitted plans for artworks. Anne and

Patrick Poirier of France intend to use a spherical liquid-gas storage tank to create "The Room for the Experience of Loneliness." Anish Kapoor hopes to blast into the exposed granite rocks that run along the river Aura to carve out "space for the self." Micha Ullmann of Israel plans to create "the edges of an unseen ship."

The European Sculpture City project is a complement to a com-

prehensive \$250 million urban-renewal project intended to transform the city's still busy port and its once bustling waterfront area into dwellings and commercial spaces. An abandoned marine rope factory is being converted into studio space for artists.

While most of the civil construction will be financed with public funds, the European Sculpture City project is strictly private. Each of the artworks — which like Merz's Fibonacci sequence can cost upwards of \$100,000 — must find a sponsor. Six artworks have found financing.

The most recalcitrant element in the entire project is the population of Turku. Like Finland's proposed entry into the European Union, the European Sculpture City project has raised a considerable amount of cynicism and second-guessing. People in Turku are asking whether they need either Europe or art, and whether Barzel's project is at all suited to their city.

"People are skeptical," conceded Seppo Lehtinen, a journalist at Turun Sanomat, the Turku-based newspaper and Finland's third-largest daily. "It will change after they see a finished work of art. But I don't know which way it will change."

"Until they see that we are not making statues, but working with spaces and materials that are already here, they won't be enthusiastic about it," Barzel said. "After they see it, they will simply be proud."

Ken Shulman is an American writer based in Italy.







## MARKET DIARY

Technology Issues  
Again a Weak Spot

Compiled by Our Staff From Dispatches

**NEW YORK** — U.S. stocks closed little changed Friday as a rally in oil companies offset declines among computer shares.

The Dow Jones industrial average closed down 1.78 points at

Investment Management in Boca Raton, Florida. In the past decade, "they've brought their break-even points down because of cost-reduction programs, so they're structured quite effectively for any increase in oil prices."

Amoco rose 1 1/2 to 57 1/2 and Phillips Petroleum rose 2 to 31 1/2 in active trading, while Chevron rose 2 1/2 to 91 and Exxon edged up to 67.

Anadarko Petroleum shot up 4 1/2 to 55 1/2 after the oil and gas explorer was raised to buy from hold at Mahon Securities a day after it won 16 offshore lease blocks in the Gulf of Mexico, which could boost production there.

But technology issues continued to suffer, dragged down by a large loss posted by Digital Equipment, which plunged 5 1/2 to 23 and was the most actively traded stock on the Big Board.

Digital's earnings hurt other computer and technology stocks, with Apple Computer sliding 1 1/2 to 30 1/2, IBM falling 1 1/2 to 52 1/2 and Motorola losing 2 to 89 1/2. Motorola's loss was the second day of losses for Intel, which was hit by news IBM struck a deal with Cyrix to market competing computer chips.

Cyrix rose 1 1/2 to 29 1/2.

Oil stocks also were strong, lifted by an increase in crude oil prices after being stuck in a general malaise for weeks. Crude oil for May delivery on the New York Mercantile Exchange rose 32 cents per barrel to \$16.55, the highest level in five months.

"There's a lot of leverage in these companies," said Leslie Ferris, portfolio manager at Mackenzie

Via Associated Press April 15



NYSE Most Active

Vol.	High	Low	Last	Chg.
Digital	23 1/2	23 1/2	23 1/2	-5 1/2
Apple	30 1/2	30 1/2	30 1/2	-1 1/2
IBM	52 1/2	52 1/2	52 1/2	-1 1/2
Motorola	89 1/2	89 1/2	89 1/2	-2
Intel	29 1/2	29 1/2	29 1/2	+1 1/2
Cyrix	29 1/2	29 1/2	29 1/2	+1 1/2
Amoco	57 1/2	57 1/2	57 1/2	+1 1/2
Phillips	31 1/2	31 1/2	31 1/2	+2

NASDAQ Most Active

Vol.	High	Low	Last	Chg.
Amoco	57 1/2	57 1/2	57 1/2	+1 1/2
Phillips	31 1/2	31 1/2	31 1/2	+2
Amoco	57 1/2	57 1/2	57 1/2	+1 1/2
Phillips	31 1/2	31 1/2	31 1/2	+2

AMEX Most Active

Vol.	High	Low	Last	Chg.
Amoco	57 1/2	57 1/2	57 1/2	+1 1/2
Phillips	31 1/2	31 1/2	31 1/2	+2
Amoco	57 1/2	57 1/2	57 1/2	+1 1/2
Phillips	31 1/2	31 1/2	31 1/2	+2

Market Sales

NYSE	AMEX	OTC
1,170,000	1,170,000	1,170,000
1,170,000	1,170,000	1,170,000

## RATES: Dollar Looking for Clues

Continued from Page 1

bring down borrowing and spending so that the economy does not grow more than 3 percent. Private economists estimate a fed funds rate of more than 4 percent but less than 5 percent is needed to allow this to occur.

Forecasts for a federal funds rate between 4 and 5 percent appear consistent with the reasoning of Fed officials.

**Dollar Gains on U.S. Data**

Sentiment that the U.S. economy was strong enough to prompt the Fed to raise interest rates lifted the dollar against most major currencies Friday, news agencies reported from New York.

But the dollar slumped against the yen after U.S. and Japanese officials failed to resume formal trade negotiations after a world trade meeting in Marrakesh, Morocco.

The dollar rose to 171.45 Deut-

se marks from 1.7100 DM Wednesday, and slid to 103.45 yen from 104.27 yen. Against other currencies, the dollar rose to 5.8615 French francs from 5.8478 and to 1.4550 Swiss francs from 1.4470. Sterling slipped to \$1.4720 from \$1.4773.

"People still think U.S. rates are heading higher," said Matt Porio, a currency trader at Chase Manhattan Bank. "It's just a question of when it's going to happen."

Lingering concern about the health of U.S. stock and bond markets kept the dollar from rising further, traders said. Stocks and bonds plummeted in March, taking the dollar with them, amid concern that higher rates would hobble the economy.

"Higher interest rates are a double-edged sword for the dollar," said David de Rosa, director of foreign-exchange trading at Swiss Bank Corp. "They bolster the dollar, but they also contribute to what some people think is becoming an asset-market meltdown."

(Knight-Ridder, Reuters, Bloomberg)

## European Stock Markets Post Moderate Gains

Compiled by Our Staff From Dispatches

**LONDON** — Stock markets in Europe rose as much as 1.2 percent Friday in response to signs of moderate economic growth in the United States.

In Britain, consumer inflation figures came in lower than expected, sending stocks and government bonds higher as some speculated on a U.K. interest-rate cut.

The Financial Times Stock Exchange 100-share index was the day's best performer, rising 1.2 percent. Shares rose 1 percent in Zurich and almost 1 percent in Paris.

## Dow Jones Averages

Open	High	Low	Last	Chg.
Indus	3468.57	3471.31	3468.57	-1.78
Trans	161.12	161.12	161.12	+0.25
Comp	1294.14	1294.14	1294.14	+0.25

## Standard &amp; Poor's Indexes

	High	Low	Close	Chg.
Industrials	520.10	517.69	518.01	-0.94
Transp.	395.34	390.95	393.86	+1.21
Utilities	156.73	155.73	156.30	+0.78
Finance	44.28	43.94	44.72	+0.14
SP 500	447.85	445.61	446.10	-0.18
SP 100	412.61	410.20	411.31	-0.22

## NYSE Indexes

	High	Low	Last	Chg.
Composite	242.29	242.80	242.45	+0.09
Industrials	304.53	303.29	303.63	-0.10
Transp.	251.50	249.55	251.04	+0.29
Utility	229.01	227.71	228.66	+0.74
Finance	210.47	209.36	210.00	+0.16

## NASDAQ Indexes

	High	Low	Last	Chg.
Composite	729.67	727.56	728.26	+0.93
Industrials	768.12	766.25	766.96	+0.36
Banks	662.38	660.14	662.11	+1.40
Insurance	857.44	853.08	856.53	+1.25
Finance	890.05	887.75	889.26	+1.79
Transp.	741.80	735.71	735.71	-4.09

## AMEX Stock Index

High	Low	Last	Chg.
438.32	437.04	438.29	+0.77

**Dow Jones Bond Averages**

## Dow Jones Bond Averages

Class	Close	Chg.
30 Bonds	99.25	-0.01
10 Industrials	101.42	-0.03

## NYSE Diary

Advanced	Declined	Unchanged
1102	1102	1102
1102	1102	1102

## AMEX Diary

Advanced	Declined	Unchanged
274	274	274
274	274	274

## NASDAQ Diary

Advanced	Declined	Unchanged
1250	1250	1250
1250	1250	1250

## EUROPEAN FUTURES

Close	High	Low	Settle	Chg.
ALUMINUM (LME)	1280.00	1280.00	1280.00	-0.25
COPPER (LME)	130.00	130.00	130.00	+0.25
LEAD (LME)	180.00	180.00	180.00	-0.25

## Metals

Close	High	Low	Settle	Chg.
ALUMINUM (LME)	1280.00	1280.00	1280.00	-0.25
COPPER (LME)	130.00	130.00	130.00	+0.25
LEAD (LME)	180.00	180.00	180.00	-0.25

## Financial

Dollars per metric ton				
Spot	922.00	928.00	932.50	933.50
Forward	948.00	948.50	951.00	954.00

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	High	Low	Close	Change
2-MONTH STERLING (LIPF)				
ESPR, 1000 - pbs of 100 pbs				
Jan.	94.75	94.63	94.73	+0.05

## 3-MONTH EURO DOLLAR (LIPF)

High	Low	Close	Chg.
94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09

## 3-MONTH EURO DOLLAR (LIPF)

High	Low	Close	Chg.
94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09
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94.15	94.15	94.15	+0.09
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94.15	94.15	94.15	+0.09

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94.15	94.15	94.15	+0.09

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High	Low	Close	Chg.
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94.15	94.15	94.15	+0.09

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## 3-MONTH EURO DOLLAR (LIPF)

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High	Low	Close	Chg.
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94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09

## 3-MONTH EURO DOLLAR (LIPF)

High	Low	Close	Chg.
94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09
94.15	94.15	94.15	+0.09

## Stock Indexes

High	Low	Last	Settle	Chg.
NYSE	242.29	242.29	242.29	+0.09
AMEX	432.32	432.32	432.32	+0.77
NASDAQ	724.67	724.67	724.67	+0.94

## Dividends

Company	Dividend	Pay Date
Amoco	0.50	5/15/94
Phillips	0.50	5/15/94
Amoco	0.50	5/15/94

## Spot Commodities

Commodity	Today	
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# NYSE

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

NYSE	High	Low	Open	Close	Volume
IBM	125.25	124.75	125.00	125.00	1,200,000
Microsoft	68.75	68.25	68.50	68.50	800,000
Apple	55.00	54.50	54.75	54.75	600,000
Oracle	45.00	44.50	44.75	44.75	400,000
Sun	35.00	34.50	34.75	34.75	300,000
Novell	25.00	24.50	24.75	24.75	200,000
Lotus	15.00	14.50	14.75	14.75	100,000
Intuit	10.00	9.50	9.75	9.75	50,000
Visa	5.00	4.50	4.75	4.75	20,000
MasterCard	4.00	3.50	3.75	3.75	10,000

NYSE	High	Low	Open	Close	Volume
Amazon	15.00	14.50	14.75	14.75	100,000
Yahoo	10.00	9.50	9.75	9.75	50,000
Excite	5.00	4.50	4.75	4.75	20,000
Hotmail	3.00	2.50	2.75	2.75	10,000
Comcast	2.00	1.50	1.75	1.75	5,000
Time Warner	1.00	0.50	0.75	0.75	2,000
News Corp	0.50	0.25	0.375	0.375	1,000
Disney	0.25	0.125	0.1875	0.1875	500
Walt Disney	0.125	0.0625	0.09375	0.09375	250
Warner Bros	0.0625	0.03125	0.046875	0.046875	125

NYSE	High	Low	Open	Close	Volume
Netflix	1.00	0.50	0.75	0.75	10,000
Blockbuster	0.50	0.25	0.375	0.375	5,000
Home Depot	0.25	0.125	0.1875	0.1875	2,000
Lowes	0.125	0.0625	0.09375	0.09375	1,000
Target	0.0625	0.03125	0.046875	0.046875	500
Walmart	0.03125	0.015625	0.0234375	0.0234375	250
Kroger	0.015625	0.0078125	0.01171875	0.01171875	125
Walgreens	0.0078125	0.00390625	0.005859375	0.005859375	62
CVS	0.00390625	0.001953125	0.0029296875	0.0029296875	31
Wal-Mart	0.001953125	0.0009765625	0.00146484375	0.00146484375	15

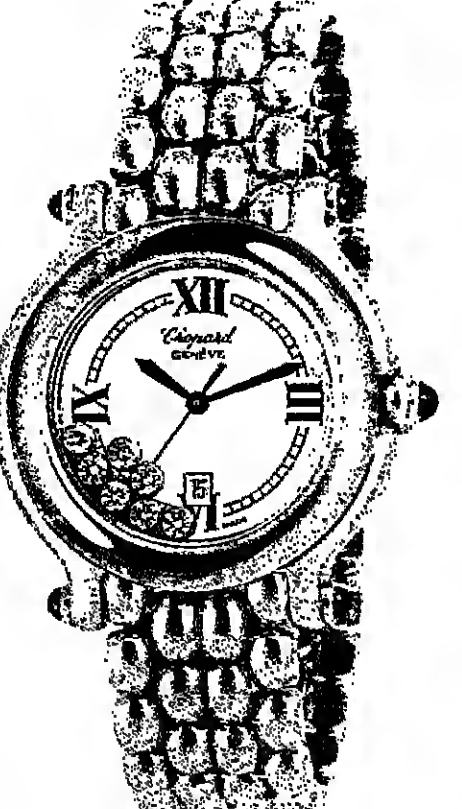
NYSE	High	Low	Open	Close	Volume
Walmart	0.001953125	0.0009765625	0.00146484375	0.00146484375	15
Kroger	0.0009765625	0.00048828125	0.000732421875	0.000732421875	7
Walgreens	0.00048828125	0.000244140625	0.0003662109375	0.0003662109375	3
CVS	0.000244140625	0.0001220703125	0.00018310546875	0.00018310546875	1
Wal-Mart	0.0001220703125	0.00006103515625	0.000046552734375	0.000046552734375	0
Kroger	0.00006103515625	0.000030517578125	0.0000232763671875	0.0000232763671875	0
Walgreens	0.000030517578125	0.0000152587890625	0.00001163818359375	0.00001163818359375	0
CVS	0.0000152587890625	0.00000762939453125	0.000005819091796875	0.000005819091796875	0
Wal-Mart	0.00000762939453125	0.000003814697265625	0.0000029095458984375	0.0000029095458984375	0

NYSE	High	Low	Open	Close	Volume
Walmart	0.000003814697265625	0.0000019073486328125	0.000001454772946875	0.000001454772946875	0
Kroger	0.0000019073486328125	0.00000095367431640625	0.0000007273864734375	0.0000007273864734375	0
Walgreens	0.00000095367431640625	0.000000476837158203125	0.00000036369323671875	0.00000036369323671875	0
CVS	0.000000476837158203125	0.0000002384185791015625	0.000000181846618359375	0.000000181846618359375	0
Wal-Mart	0.0000002384185791015625	0.00000011920928955078125	0.0000000909233091796875	0.0000000909233091796875	0
Kroger	0.00000011920928955078125	0.000000059604644775390625	0.00000004546165458984375	0.00000004546165458984375	0
Walgreens	0.000000059604644775390625	0.0000000298023223876953125	0.0000000227308272946875	0.0000000227308272946875	0
CVS	0.0000000298023223876953125	0.00000001490116119384765625	0.00000001136541364734375	0.00000001136541364734375	0
Wal-Mart	0.00000001490116119384765625	0.000000007450580596923828125	0.000000005682706823671875	0.000000005682706823671875	0

NYSE	High	Low	Open	Close	Volume
Walmart	0.000000007450580596923828125	0.0000000037252902984619140625	0.0000000028413534118359375	0.0000000028413534118359375	0
Kroger	0.0000000037252902984619140625	0.00000000186264514923095703125	0.00000000142067670591796875	0.00000000142067670591796875	0
Walgreens	0.00000000186264514923095703125	0.000000000931322574615478515625	0.000000000710338352958984375	0.000000000710338352958984375	0
CVS	0.000000000931322574615478515625	0.0000000004656612873077392578125	0.0000000003551691764794921875	0.0000000003551691764794921875	0
Wal-Mart	0.0000000004656612873077392578125	0.00000000023283064365386962890625	0.00000000017758458823974609375	0.00000000017758458823974609375	0
Kroger	0.00000000023283064365386962890625	0.000000000116415321826934814453125	0.000000000088792294119873046875	0.000000000088792294119873046875	0
Walgreens	0.000000000116415321826934814453125	0.0000000000582076609134674072265625	0.0000000000443961470599365234375	0.0000000000443961470599365234375	0
CVS	0.0000000000582076609134674072265625	0.00000000002910383045673370361328125	0.00000000002219807352996826171875	0.00000000002219807352996826171875	0
Wal-Mart	0.00000000002910383045673370361328125	0.000000000014551915228366851806640625	0.000000000011099036764984130859375	0.000000000011099036764984130859375	0

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## IMF Chief Urges Beijing to Rein In Demand and Prices

Compiled by Our Staff From Dispatches

WASHINGTON — The head of the International Monetary Fund, Michel Camdessus, has urged China to act to cool off its overheated economy and warned that surging prices could derail Beijing's plans for economic reforms.

They must do more to reduce the pace of investment activity and to bring domestic demand under control," Mr. Camdessus said.

Prime Minister Li Peng set an inflation target of 10 percent for 1994 in a report to Parliament last month, but so far price increases have shown little sign of slowing and the economy has roared ahead.

On Friday, Chinese economists said the economy was likely to grow 11.5 percent this year, much more than the government had hoped.

The economists, from the State Statistics Bureau and Chinese Academy of Social Sciences, said this was good news because China would continue to attract foreign investors. But it bodes ill for the government's efforts to control inflation, which has been stoked by excess demand for raw materials, energy and transportation. Growth in these sectors has run far behind manufacturing growth.

Retail prices nationwide climbed at a year-on-year pace of 20 percent in the first two months of this year, compared with an inflation rate last year of 13 percent. Price increases in urban areas have been even more acute, with inflation there nearing an annualized 26 percent in February.

"Overheating in China is a fact and has been one for 18 months," Mr. Camdessus said. "It's crystal clear — and the Chinese authorities agree on that — that they must take strong macroeconomic steps in order to reduce internal demand and get rid of overheating."

That means tightening the belt through budget and monetary measures, he said. He added that this was particularly important because soaring inflation threatens to undermine China's efforts to liberalize and open up its economy — a view the Chinese government shares.

"If they are not able to correct it, this will endanger the major program of structural reform they are just implementing now," the IMF chief said.

That program includes banking and currency reforms and other measures that would take China "the extra mile toward full market-economy mechanisms," Mr. Camdessus said.

Those reforms, if they are carried out, also would give the Chinese authorities greater indirect control over the economy so that they would not have to slam the brakes on growth to control inflation.

Despite the difficulties ahead, Mr. Camdessus sounded a note of optimism about China's chances of controlling price increases.

"What reassures me is that we have never seen the Chinese allow inflation to escape out of control," he said.

Beijing took "important" steps last summer to rein in inflation but then relaxed its credit stance toward the end of the year, probably under pressure from state-owned companies, Mr. Camdessus said. That brought on a new inflationary surge that must now be addressed, he said.

Unlike the World Bank, the International Monetary Fund does not have any lending program with China, so its influence there is limited. The Fund's board, however, reviews the state of China's economy once a year, as it does with most IMF members, and it has just completed that study for this year.

(Reuters, AP)

## Japan's Insurers Investing at Home

Bloomberg Business News

TOKYO — Most Japanese life insurance companies plan to keep their own investment capital at home this financial year to avoid currency losses in what they see as a political battle between Washington and Tokyo over the value of the yen.

Most of the capital will be used for such interest-bearing investments as bonds and corporate loans, and some will be used to buy Japanese equities. The financial year for Japanese life insurance companies started April 1.

Most of Nippon Life Insurance Co.'s net increase will be invested for stable interest income in Japan, in such things as bonds, money-market instruments and corporate loans, said Yousuke Matsunaga, a public relations manager at the company. Nippon Life is Japan's largest insurance company.

"Our general policy this year will be to stay away from investing any more money abroad," Mr. Matsunaga said. "At the present time, we can't afford to take currency risks."

He said only 4 percent of Nippon Life's total assets was exposed to the risk that returns would decline because of fluctuations in exchange rates, down from more than 10 percent a few years ago.

The yen has strengthened steadily in recent

months as Tokyo and Washington have continued to be symmetrical in their efforts to resolve their trade differences. The Japanese currency's appreciation has only been worsened by the recent fall of the government of Prime Minister Morihiro Hosokawa.

Although U.S. bonds have more rapidly rising yields than Japanese bonds and so are more attractive, "Japanese investors are really concerned about the exchange rate," said Toshikazu Nakano, manager of the bond investment division of Asahi Mutual Life Insurance Co., Japan's fifth-largest life insurer.

He said the risk that the dollar may fall against the yen could cancel out the benefits of yields of more than 7 percent on 30-year U.S. Treasury bonds.

The yen's rise against the dollar is considered a result of political forces. Traders and investors say that U.S. officials, dismayed over Japan's persistent trade surplus, prefer a stronger yen to cut the sales and profits of Japanese exporters.

Although insurance companies are likely to earmark some new money for investment in Japanese stocks, this is likely to be only a small fraction of the amount put into bonds, loans and money-market investments.

Nippon Life forecasts that the Nikkei 225

index, which ended Friday at 20,164.63, will range between 18,000 and 22,000 this year, Mr. Matsunaga said.

He said the company would add to its stock portfolio if the index fell toward the lower end of that range. But the total amount purchased will not be large, he added, as the company does not expect big improvements in earnings.

Meiji Mutual Life Insurance Co., Japan's No. 4 insurer, does not plan to look at foreign investments and stocks.

Its net increase in capital will be 1.1 trillion yen (\$10.6 billion) in this financial year. Almost all the increase will be put into bonds, corporate loans and the money market. The plan allocates 760 billion yen to bonds and corporate loans and designates 300 billion yen as surplus capital to be parked in money-market investments.

The plan also calls for a decrease of 150 billion yen in foreign investment and a 20 billion yen cut in stock holdings. The rest will be invested in real estate and mutual funds.

Daiei Mutual Life Insurance Co., the second-largest life insurance company, is planning to use half its increased capital to buy Japanese bonds, the Nihon Keizai newspaper has reported.

## Thailand Focuses on Local Bond Market

Compiled by Our Staff From Dispatches

BANGKOK — With one of the most prosperous and stable economies in Asia, Thailand is poised to take the lead in the region in developing a domestic bond market.

So far, Hong Kong and Japan are the only places in Asia to have taken seriously the idea of setting up a market to trade domestic government or corporate bonds.

Emerging economies in the region have been intent during the past 20 to 30 years on cultivating growth. Now, with their economies prosperous and healthy, people in the region are demanding more and better goods and services — so governments and businesses have to grow to meet their demands, and that costs money.

Thailand is a prime example of a prosperous Asian economy now at a stage where it must borrow and invest if it is to continue to thrive. While it already has an efficient stock market, it only set up a domestic market for bonds last year.

Because the only way to invest in many Thai companies has been through the volatile stock market, many Western institutions have little direct exposure to Thailand.

While the benchmark Stock Exchange of Thailand index has risen about 40 percent in the past four years, it has gone through wild swings, and its future performance could be just as erratic.

The index jumped 3.8 percent Friday, to 1,282.16 points, aided by an influx of foreign investment af-

ter a three-day holiday. The finance and banking sector led gains.

But private companies need funds they can't procure from the stock market alone, and the Thai government also has a pressing demand for funds to repair its crumbling infrastructure.

So Thailand is looking for funds. The government itself has sold bonds in foreign markets, but it is limited in how much it can raise abroad. The ceiling, which is reset each year, is \$3.2 billion this year.

Yet the local bond market has barely gotten off the ground. Only about \$500 million in securities has been sold in the one year of its existence.

"The biggest obstacle to development of a Thai bond market is withholding tax," said Tim Goodell, director of the debt markets group in the Hong Kong office of

Merrill Lynch. "Otherwise, there's a huge potential for fixed-income business in Thailand."

The country charges a 15 percent withholding tax on corporate bond issues.

But the government has taken other measures to encourage fixed-income investment, such as working to keep its currency stable against the dollar and setting up a Securities and Exchange Commission to oversee debt issues.

Another draw to Thai bonds is the high yields. Investors can earn from 7.75 percent to 10 percent on money market securities, known as bills of exchange, with maturities from roughly one month to one year, said Francis Tjia, director of Income Partners (Asia) Ltd., a Hong Kong money-management company.

(Bloomberg, AFP)

## Investor's Asia

Hong Kong	Shanghai	Taipei
Hang Seng	Shanghai Index	Taipei Stock
12,000	1,200	1,200
12,100	1,210	1,210
12,200	1,220	1,220
12,300	1,230	1,230
12,400	1,240	1,240
12,500	1,250	1,250
12,600	1,260	1,260
12,700	1,270	1,270
12,800	1,280	1,280
12,900	1,290	1,290
13,000	1,300	1,300
13,100	1,310	1,310
13,200	1,320	1,320
13,300	1,330	1,330
13,400	1,340	1,340
13,500	1,350	1,350
13,600	1,360	1,360
13,700	1,370	1,370
13,800	1,380	1,380
13,900	1,390	1,390
14,000	1,400	1,400
14,100	1,410	1,410
14,200	1,420	1,420
14,300	1,430	1,430
14,400	1,440	1,440
14,500	1,450	1,450
14,600	1,460	1,460
14,700	1,470	1,470
14,800	1,480	1,480
14,900	1,490	1,490
15,000	1,500	1,500

Sources: Reuters, AFP International Herald Tribune

## Very briefly:

• **Samho Shipping Co.** plans to open on Monday a direct cargo route between South Korea's port of Pusan and Chongjin in North Korea, cutting delivery times between South Korea and northeastern China to seven days from 40 on the current route. Samho is a venture of Samsan Shipping Corp. of South Korea and Xinhua Business Group of China.

• **Cable & Wireless PLC** and **Hong Kong Telecommunications Ltd.** signed a deal with China to lay and maintain deep-ocean international telephone cables. The venture, called **Sino-British Submarine Systems Co.**, is seen a step toward operating a telecommunications system in China.

• **Hyundai Electronics Co.** said its first quarter sales rose 37 percent in the first quarter, to \$469 million, largely reflecting gains in computer chips.

• **Kerry Beverages Ltd.**, a venture of Coca-Cola Co. and Kerry Group, is investing in a \$25 million bottling plant in northern China. Kerry Beverages will own 85 percent of the plant in Shanxi Province, and the rest will be held by the Shanxi Bureau of China's Ministry of Coal.

• **Nissan Motor Co.** plans to export about 3,300 trucks to Canada this year from its plant in Smyrna, Tennessee, replacing sales from Japan.

• **Bcom Holdings Bhd.**, the Malaysian manufacturing conglomerate previously known as New Serendah Rubber Co., plans to take an 85 percent stake in AirAsia Sdn., which will be the second Malaysian airline. **Molax Air Sdn.** will retain the rest of AirAsia.

• **Mitsubishi Ltd.**, the Japanese retailer, revised its loss estimate for the year that ended Feb. 28, raising it to 5.4 billion yen (\$52 million) from 2.0 billion yen. It blamed weak sales. *AFP, AP, Bloomberg, AP, Reuters*

## Digital VCRs' Next Hurdle: Prices

Compiled by Our Staff From Dispatches

TOKYO — The world's leading electronics companies have avoided a tussle over formats for the next generation of video recorders, but analysts said Friday they now face a sterner battle — getting people to buy them.

In a show that would have been unthinkable during the consumer electronics boom of the 1980s, 50 companies from around the world agreed Thursday to use a common basic design for home digital videocassette recorders, which aim to bring cinema-quality pictures and compact-disk sound within reach of ordinary consumers.

The companies included Sony Corp. and Matsushita Electric Industrial Co., whose Betamax and VHS formats fought a battle for dominance — won by Matsushita's VHS — in the analogue VCRs now on the market.

That battle confused consumers and damaged Sony's balance sheet. With the electronics boom now over, analysts say no one wants to risk that kind of a fight again.

"Manufacturers are being hurt by the recession, so they choose to cooperate rather than compete," said Takao Naruse, an analyst at Daiwa Institute of Research Ltd. "Now they can feel safe in the knowledge they will not be wrong-footed by the success of a competitor's technology."

The companies remained tight-lipped about when their first commercial products would be available and how much they would cost — something analysts said showed uncertainty over whether the public wanted them yet.

Current estimates put the cost at around 300,000 yen (\$2,900),

or six times the price of the typical analogue recorder now on the shelves.

Another reason for remaining vague on when home digital VCRs will come on the market is that companies don't want to make consumers delay or quit purchasing the existing equipment.

Digital VCRs have been used by professionals for some time, but prices currently start at 10 million yen.

Besides offering sharp images, being digital means they will be easy to connect to computers and communications devices, so they can be used at the core of future multimedia systems.

But analysts say the new machines will need to cost less than 300,000 yen to catch consumer interest.

They also wonder whether the slick editing functions and com-

puter-friendliness of the new VCRs will be of any use to ordinary television viewers.

Manufacturers who signed the agreement included Sony, Matsushita, Victor Co. of Japan, Sharp Corp. and Sanyo Electric Co. in Japan; Samsung Electronics Co. of South Korea; LSI Logic Corp. and Texas Instruments Inc. of the United States; and BASF Magnetics GmbH of Germany.

Analysts do not expect the first commercial products to arrive until 1997, when full high-definition television broadcasting is scheduled to begin in Japan.

With regular television, the difference between an analogue and a digital recorder will be minimal. But there are now serious doubts over whether Japan's Hi-Vision HDTV system will still exist then. *(Reuters, AFP)*

## Konami Co., of Ninja Turtles Fame, Is Going It Alone

Bloomberg Business News

TOKYO — With the giants Sega and Nintendo Co. already battling and tussling such as Sony Corp., Matsushita and NEC Corp. poised to enter the fray, Japan's video-game market may seem like no place for a pip-squeak game maker to strike out on its own.

But that's precisely what Konami Co. has done. The maker of "Teenage Mutant Ninja Turtles" and "Lethal Enforcers" began its drive toward self-reliance two years ago when it broke an almost exclusive marketing relationship with Nintendo and started selling to Sega Enterprises as well. By next March the company will depend on Nintendo for about

half its orders, down from 80 percent at present.

Konami's efforts to get out from under Nintendo's thumb haven't stopped there, either. The company plans to open 50 amusement arcades in Japan over the next five years, to build on the toehold it has gained in the traditional game market with a line of jigsaw puzzles and to design semiconductor circuits for arcade games.

Analysts say the company had little choice but to broaden its sales base. Profit has fallen from 8 billion yen (\$78 million) two years ago to an estimated 3.45 billion yen for the year ending last month on sales of 46.4 billion yen. The earnings decline stems largely from Nin-

tendo's slumping sales. This turned a once-prosperous alliance into a liability for Konami.

"The company simply has to break free from dependence on Nintendo," said Yutaka Sugiyama, an analyst at UBS Securities. Konami officials declined to comment.

Just a few years ago, breaking from Nintendo wasn't even a possibility. But now the lock that Nintendo and Sega have had on Japan's 310 billion yen game market is under siege. That may create new opportunities for little guys.

Analysts say the key to Konami's survival is in making its software available for use on the host of games machines about to come on the market.

## Two Left In China Auto Bid

Compiled by Our Staff From Dispatches

BEIJING — Chrysler Corp. and Daimler-Benz AG are battling it out in final bidding for an 8.8 billion yuan (\$1 billion) joint-venture project in southern China.

The U.S. and German auto giants are running neck-and-neck for the project, which will form the cornerstone of southern China's automobile manufacturing base, the China Daily reported Friday. The deal is to be made final in June.

The Chinese partners in the venture, to be based in Zhanjiang in the southern province of Guangdong, are Zhanjiang Sanxing Automobile Group and Hainan Automobile Manufacturing Plant.

The planned factory is expected to have an annual output of 60,000 minibus and 100,000 motor engines, the newspaper said. About 30,000 vehicles are produced annually in Guangdong Province, compared with the market demand for 60,000 additional cars each year.

"We foresee a bright future for the new project," an official with the provincial planning commission said, adding that auto demand was growing 10 percent annually.

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## CASINO LOUTRAKI

EXPRESSION OF INTEREST FOR CO-OPERATION

At Loutraki, 80 km from Athens — a Casino license will be soon granted by the Greek Government.

The Municipality of Loutraki and Perahora, having the appropriate land as well as specific pre-feasibility studies for the touristic development of the wider area, and having interest to co-operate with investor in order to participate in the official tender for the acquisition of a license.

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Investors to submit proposals of expression of interest for the phase of pre-evaluation (short-list).

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- Experience in constructing, organising and operating of Casinos (co-operation with other hotel of casino chains).
- Presentation of appropriate economic data indicating the financial status of the candidate investor (balance sheet of last 5 years, shareholders).
- Co-operation with Banks with suitable references and permission to further request additional information.
- Minimum amount of investment for the first phase of construction of the project should be the amount of 40 million USD.
- Desired maximum construction duration 3 years.

Short-listed candidates will receive in due time from the Municipality the relevant prefeasibility studies which include:

- The Hotel-Casino cluster;
- The construction and operation of a Marina, etc.

The Municipality, with its Société Anonyme will collaborate with the strategic investor with a percentage share and terms which will be set during the negotiation phase.

All proposals must be submitted by the 10th of May 1994 at the following address:

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El Venizelou 47 - Loutraki  
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Tel.: 9741-02172 & 01-7221932.

Cosmos adv

## Japan Bankruptcy Debt Falls

Compiled by Our Staff From Dispatches

TOKYO — Japan's bankruptcy debt fell 37 percent in March from a year earlier, to 501.1 billion yen (\$5 billion), but the weak economy is likely to drive it higher soon, a debt researcher said Friday.

A researcher for Tokyo Commerce & Industry Research Co. specified slow retail sales, the cool summer last year, the high yen and corporate restructurings as factors in an expected higher bankruptcy rate.

The number of bankruptcy cases eased 3.2 percent in March from a year earlier, to 1,285. Compared with this February, cases jumped 22 percent, but debts slipped 22 percent.

Debt during the fiscal year ended in March dropped 10 percent from 1993, to 6.8 trillion yen, while the number of cases was almost unchanged at 14,580.

Industrial production for February was revised downward to a decline of 0.1 percent from a provisional increase of 0.2 percent, the Ministry of International Trade and Industry said. *(Reuters, AFP)*

**THE FRONT PAGE 1387/1992**

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## FIRST COLUMN

### Maybe the Sages Know Something

**H**ELL HATH oo fury like an investor scorned. Or perhaps, put more precisely, like one who has caught a cold not from fickle April weather but from the relatively dismal performance of many emerging markets this year, the same emerging markets that every sage investment adviser under the capricious sun seems still to be touting.

How can they keep trying to sell us on the Philippines, Indonesia, Malaysia and Thailand, not to mention Mexico and Argentina, goes an oft-heard refrain these days, when the meteoric returns delivered by these markets in 1993 have plummeted to earth with such agonizing thuds?

The facts would appear to lend credence to this cry. So far this year, as measured by general equity indexes, the Philippine market is down 14 percent, the Thai market is down 27 percent, and Malaysia and Indonesia have each fallen about 20 percent. Mexico is off by 12 percent since the first of the year, and Argentina is down 10 percent.

Hardly a repeat of last year, which saw those four Asia-Pacific markets rise by an average of 113 percent while the two Latin American markets climbed an average of 50 percent. Indeed, it was these upward curves that prompted investors to hop quickly onto the emerging-markets bandwagon — for many, as it turned out, too late in the run.

But if the research that has gone into this week's report on small companies has found a common thread, that theme is an old axiom: The most successful investors are those who ride out the rough spots and hang in for the long term. That has certainly been the case for small-company investors.

It will likely be the case in these emerging markets as well. Healthy, non-overheated growth is quite rightfully projected for many Asia-Pacific countries in the coming years, and Latin America should continue to develop as sophistication grows and a more diverse range of companies raises equity.

If emerging-markets investors refrain from panicking, they might find that their advisers know something after all. P. C.

## Small Companies: Tracking the Cycle

By Conrad de Aenle

**O**NE PECULIAR aspect of the decline in the U.S. stock market that began late in January is that shares of big companies have been hit harder than those of smaller ones.

The most widely followed market index, the Dow Jones industrial average of blue-chip issues, fell 10.9 percent during the two-month drop. An index of smaller stocks, the Russell 2000, fared much better, however: It held on gamely, actually marking a new high in March, before succumbing to the gravity that snared the other averages. From Jan. 31, when the correction began in the others, until the bottom earlier this month, the Russell 2000 had a relatively mild descent of 8.1 percent.

It is not supposed to happen that way. The conventional wisdom holds that shares in the stalwart industrial giants that make up such indexes as the Dow are less perilous to own during a decline.

Theoretically, small-capitalization stocks are more vulnerable in a bear market," said James Stack, editor of the advisory newsletter InvestTech Market Analyst. "The reason is the lack of liquidity because they're thinly traded. Any selling pressure tends to push them down more than large-cap stocks."

So, how can the anomaly be explained? Analysts hold differing views. There's also a lively debate over whether the most recent cycle favoring small companies, which began in late 1990, is petering out or just hitting its stride.

Some experts say the stronger performance by small-caps this year may show that they are in a "longer-term upturn."

"People really believe that the turn has come in this group," said Bernadette Murphy, a technical analyst at M. Kimmelman & Co. "They've chosen to hold on rather than sell them out. If the correction continues, they will suffer, as well — nothing is impervious to corrections — but we seem to be going into a rally time, so the Russell should rally as well."

Mrs. Murphy added that a healthy small-companies sector is a good sign that the market as a whole is in good shape.

"It tends to add greater interest to the market when small-caps are performing," she said. "Individual investors in particular enjoy small-cap stocks because they're easier to understand than big conglomerates."

Small stocks certainly had the worst of it during the bear markets of 1987 and 1990. In the first, which culminated in the collapse in

October, the Dow fell 37.4 percent from its August high. The Russell 2000, which represents the 2,000 largest stocks after the 1,000 largest, fell 39.1 percent.

The difference was more pronounced in 1990. The Dow fell 21.8 percent during the summer, while the Russell index lost 30.5 percent. But the faithful who held their small-cap issues through the worst were well rewarded: While the Dow has risen about 55 percent from its low in October 1990, the Russell 2000 has done more than twice as well, with a gain of 115 percent.

Indeed, that sort of performance has been the rule throughout much of the last three decades. From 1961 through 1983, the S&P 500 beat the small-caps in only five of the 23 years.

**A**FTER 1983, everything changed. During the next seven years, small companies lagged their larger counterparts in every year except 1988, the first year of the post-collapse run-up. The total return for the S&P 500 was 140 percent, compared with a mere 19 percent for the smaller companies.

Susan Hirsch, who follows small-company stocks for Lehman Brothers, says the leadership of small-caps since 1990 is likely to run on for some time. She notes that based on traditional measures of valuation, such as the ratio of price to earnings, small stocks were trading at a 34 percent premium to large issues. That is close to the bottom of the historic range, which runs from a slight discount to premiums of more than 200 percent. That was the case in the late 1960s and again in the early 1980s, just before they fell out of favor.

Miss Hirsch also cites the well-documented pattern in which small stocks do better than big ones for about seven years and then let blue chips take the lead for an equal period.

"We're very positive on small-cap stocks," she said. "We feel they have a few years to go. When they outperform it's by a wide margin, and they usually outperform for several years. I think we're midway through the cycle, which could go through 1997. That's my best guess."

Not everyone is convinced. The analyst Robert Prechter notes that this year there was no January effect, the tendency for small stocks to outshine big ones during the start of the year. The Dow industrials rose about twice as much during the month as the Russell 2000.

In the January issue of his Global Market Perspective newsletter, Mr. Prechter wrote

### Small Companies

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Historic performance  
European small-company funds  
U.S. small-company funds

that "the bear market in secondary-stock relative strength that began 10 years ago has probably resumed." In other words, the last three years was a corrective blip in the trend toward greater performance by blue chips that started in 1984.

Mr. Prechter believes that small-cap issues generally do better when a market advance is young, with blue chips assuming the leadership as the bull market ages. Should bigger stocks resume their ascendancy, it would be one more negative sign of many that he sees in the market.

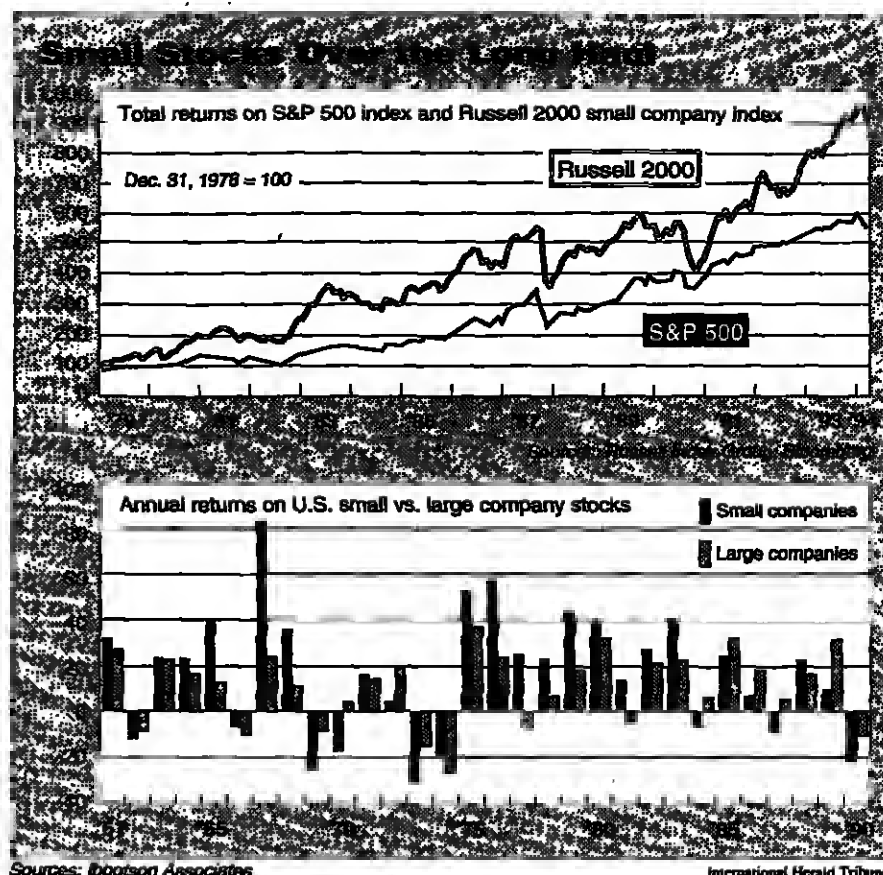
But if the advance in small-caps has in fact run its course, then the course was a lot shorter than it was supposed to be. Moreover, opinions differ on what is behind the seven-year cycle.

Miss Hirsch gives the credit to the "technical product cycle, an explosion of new technology that has a multiplier effect on other technological processes." While the two previous cycles followed the birth of the integrated circuit and the personal computer, the catalyst for this one, noted Miss Hirsch, is the client server, the hardware that allows computer users to share information. This hardware, she said, should be the "foundation for the information highway."

Mr. Stack sees a different basis for the cycle. In his opinion, the periods of relative strength and weakness reflect the mood of the trading public more than the intrinsic worth of companies of any particular size.

"If one were to ask what makes small-caps outperform in one period and underperform in another, there's really no answer," he says, "other than the fact that investor psychology tends to make wide correctional swings."

Mr. Stack said that after the severe bear market that ended in 1974, blue chips were shunned and smaller companies became so



Sources: Ibbotson Associates  
International Herald Tribune

hot that they were priced well beyond what a person of sober judgment would have believed them to be worth. Then, in the early 1980s, their shareholders wised up, sold out and replaced their small stocks with big ones.

The sell-off was "only natural," Mr. Stack said. "Those stocks were carrying large price-earnings ratios and exorbitant valuations." Today, the opposite holds, and "blue chips are too rich."

Large-cap stocks can be thrashed about by popular caprice, too, of course. But they are more liquid, and so the moves are generally less violent. They usually do not go up as much as small-caps, but they do not go down

that much, either. That is the dilemma presented to investors.

"Historically, small stocks do better than big stocks, but then there's the volatility," Mrs. Murphy said. "You can gain better profits, but you have to be able to ride out the swings that small stocks take. Right now they represent a lot of value, but when they become extended and abused, their corrections become more severe."

The Money Report is edited by  
Martin Baker

## In Britain, Some Reasons to Roar Again

By Rupert Bruce

**J**UST AS Britain's investing public began to accept the argument that the country's smaller companies were its best long-term bets in the mid-to-late 1980s, these firms ran into a major bear market. For several years, small companies were soundly beaten by their larger rivals on the London Stock Exchange.

But things changed in 1993, when the long-awaited economic recovery came into view. Investors began to cast their minds back to times when the British economy was growing at a healthy pace. They recalled that stocks in smaller companies had provided some of their best investment returns and began to buy them.

The Hoare Govett Smaller Companies Index, the classic yardstick of stocks in smaller companies in Britain, shot up 44 percent in sterling terms last year. That performance made the Financial Times-Stock Exchange All-Share Index's 15.6 percent return look meager.

Advocates of Britain's smaller companies expect them to achieve better returns than larger stocks for the next few years. They also think they will do well compared with cash. This is despite the recent correction in equity markets worldwide and fears of higher inflation and rising interest rates in Britain.

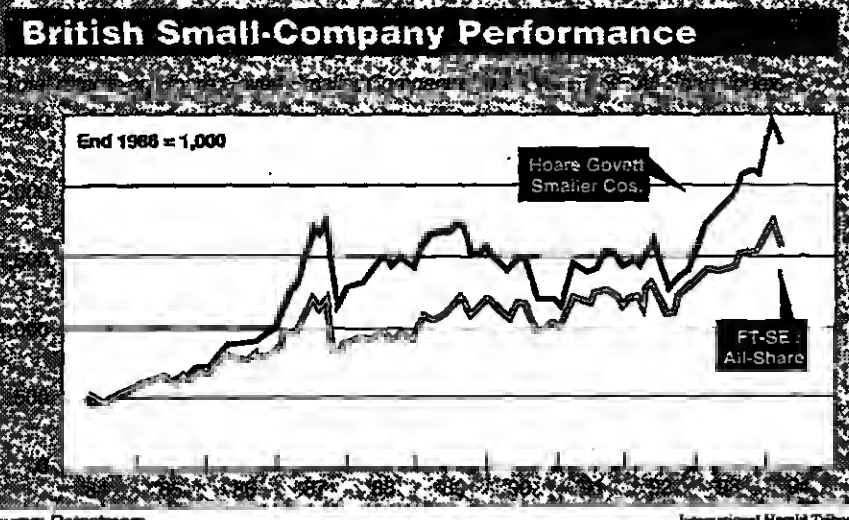
Andy Yeo, a research analyst at Hoare Govett Securities, says: "We believe the next two to three years will be a good time for smaller companies."

In fact, the securities house is sticking by its forecast of a 20 percent rise in the Hoare Govett Smaller Companies Index this year, he added.

That prediction is based on Hoare Govett's estimates of earnings growth for the index's 600 stocks, which by definition comprise the bottom 10 percent of market capitalization in terms of market capitalization. It is underpinned by a faith that smaller companies will once again prove to be the chief beneficiaries of economic revival.

"Within the smaller company sector of the market we have a lot of companies that are tied to the domestic economy, whereas a lot of the bigger companies have operations overseas or are utilities," says Ashton Bradbury, one of the five-strong smaller-companies team at Hill Samuel Investment Management, which has £800 million (\$1.2 billion) under management and advises Bank of East of the U.K. smaller-companies part of its offshore Global Portfolio umbrella fund.

"If you look at smaller companies, they tend to be house builders, property or engi-



Source: Datastream  
International Herald Tribune

neering stocks. Those companies that do particularly badly in recession," he says.

With the economy apparently on an upturn, he adds, "there is oow the prospect of them outperforming."

The recent fall in the stock market has failed to take as much shine off smaller companies as larger ones. While the FT-SE All-Share Index fell 6.2 percent in the first three months of this year, the Hoare Govett

**Advocates of Britain's smaller companies expect them to achieve better returns than larger stocks for the next few years.**

Smaller Companies Index climbed 2.9 percent.

Mr. Yeo believes that much of the hiccup has been caused by a switch in the stock-market consensus. Earlier in the year, the feeling was that the next move in interest rates would be down; oow it is that they will rise.

Still, he believes that after a quiet summer, smaller companies will start to move higher again in the fall. This will be fueled by a combination of announcements of strong half-year earnings and a restoration of liquidity after this past winter's demanding flood of stock issues, he says.

But a sea change seems to have taken place in the British stock market that should make picking the right stock far more important than it has been so far during this rally.

Mike Giddings, a director of Rothschild Asset Management, which runs the offshore Five Arrows U.K. Smaller Companies Fund, says: "Inevitably, the urgency to achieve an exposure to smaller companies, where stock is often scarce, led to rapid price appreciation and some fairly indiscriminate buying. That phase has probably now run its course. From here on, earnings growth is likely to be the chief determinant of stock-price performance."

But while smaller companies seem set for a period of superior performance, some still question Hoare Govett's contention that smaller companies are the best equity investments over the long term. Despite 1993's strong performance, the Hoare Govett Smaller Companies Index only surpassed its 1987 pre-crash peak in January.

The index has achieved an 18.7 percent annual compound return since its database began in 1955, and it has beaten the FT-SE All-Share Index by an average of 4.3 percent a year.

Doubters say this may be because few investors bought smaller companies before the 1970s and, as a result, they traded on a lower and cheaper ratio of share price to earnings per share. These stocks have since become more popular and have caught up, so some of the glittering returns must be thanks to starting from a lower base.

But Mr. Yeo is steadfast. "If you look at the 4.3 percent return, two-thirds of that has come from higher dividend growth," he said. "What we are saying is that the smaller-companies end of the market is able to produce higher dividend growth and it is that that drives outperformance."

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## THE MONEY REPORT

هكذا من الفصل

Tapping In Early  
As Europe Recovers

By Peter Gartland

**S**MALLER companies in Europe have spent a long time in the investment doldrums, but evidence is emerging that this sector is starting to look attractive again.

Beat Wittmann, head of European equities at UBS Asset Management in Zurich, said now is the time to buy into these small companies that fit the three "unders": underpriced, underowned and underresearched. He especially favors those that have lean, nonbureaucratic structures and a strong focus on boosting earnings.

While Europe's small companies have been more severely battered by the recession than larger ones, they also have been more aggressive in restructuring their business units, he says. As a result, these companies are in a much better position for significant productivity and earnings growth as Europe emerges from recession.

Seeing a way to tap into this market as it forms, UBS launched its own Swiss franc-denominated European smaller companies fund last October. So far, it has attracted \$740 million, mainly from private investors.

An even more recent addition to the sparse number of European smaller companies funds available to the international private investor is the Jupiter Tyndall European Smaller Companies Portfolio, a subfund of the company's Luxembourg Global Fund.

Jupiter Tyndall's rationale for launching a fund devoted to smaller companies in Europe this past January was to capitalize on the improving fortunes of such firms as the region's economies pull out of recession.

According to Jupiter Tyndall, the European economy as a whole is already showing signs of having reached its low point, and corporate profits should rebound, boosted by lower interest rates, the U.S. economic recovery and widespread corporate rationalization.

John Robinson, international operations director at Jupiter Tyndall, says that in most developed markets high-quality smaller companies exact a premium. He adds, however, that in Europe, despite its status as a major global market, the

opposite is true: "It is still possible to buy well-run growth stocks at a discount to the market."

Another fund just this week by Fleming Fund Management (Luxembourg) SA, which added a European small companies subfund to its \$1.9 billion Fleming Flagship umbrella fund.

**P**RIVATE INVESTORS can buy directly into Europe's smaller companies, but it could be hazardous, especially given the lack of research of the sector. Mr. Wittmann checked over by analysts from UBS had never been visited before by a financial institution.

The traditional lack of research in this sector is another reason, over and above the normal complexities of investment decision-making for private investors to use a specialist fund and allow the managers to take the investment strain.

One of the longer-established funds in this area is GT Manage-

**Europe's small companies are in a good position for significant productivity and earnings growth.**

ment's European Smaller Companies, which was launched in 1984. The \$120 million Dublin-based fund is managed by Justin Thomson, who while careful not to predict that Europe's small companies "are going to gallop ahead in absolute terms," nevertheless says they should do well compared with European stocks overall.

"What really gets small companies going is the final downward leg in the interest rate cycle," he says.

Mr. Thomson manages the GT fund on a stock-picking basis, rather than using the conventional top-down approach that starts by assessing the macroeconomic picture.

"The primary objective is the identification of quality growth stocks, with national market considerations as secondary," he says.



Source: Micropal

Two of the more recent winners in the portfolio are MLP AG of Germany and UFF SA of France, both financial-sector companies that recorded dollar returns of over 60 percent in the second half of 1993.

The geographical breakdown of the GT fund as of March 1 showed a strong bias toward France and Switzerland, with these two countries accounting almost equally for a total 42 percent of the fund's assets. There was a 17 percent exposure in the Netherlands, 13 percent in Germany, 9 percent in Scandinavia, 5 percent in Italy, 3 percent in other markets and 6 percent in cash.

**C**URRENT major holdings in the GT fund include IHC Caland NV, a Dutch capital goods manufacturer specializing in marine technology; Delp Ing Fusi, a Swiss electrical goods retailer; Naf Naf SA, a French concept retailer popular among young people; and Moebel Walther AG, a German furniture retailer.

James Capel does not offer a specific European smaller companies fund to investors, but the company does follow the sector closely through its Quantitative Techniques division. The James Capel Smaller European Companies Index comprises 17 markets, 16 industrial classifications and 966 constituent securities.

Adrian Tupper of James Capel says there were three reasons for compiling the index. The first was

to examine whether the small-company effect — loosely defined by many analysts as the tendency of small companies to outperform larger companies during economic recovery and over long periods of time — prevailed in Europe.

Second, smaller companies in Continental Europe are now considered to be a genuine asset category and it was necessary to have a definitive criterion for measuring their performance.

**F**INALLY, modern asset management techniques require that, when investing in equity markets, the large and the small capitalization structures should be clearly distinguished, and separate portfolios constructed for each structure.

There are other strong arguments in favor of investment in European smaller companies at the present time. Including such stocks in a larger portfolio can also bring attractive diversification benefits and improve the overall risk/return profile of an investor's pan-European portfolio.

Anthony Bolton, who manages European investments for a number of Fidelity funds, stresses that smaller companies do generally outperform larger ones. Now that the economic decline in Continental Europe appears to have been halted, he says, it is a reasonable bet to invest in this sector.

"The next recession is far enough away," Mr. Bolton says.

## Historically, Small Really Is Beautiful

By Philip Crawford

**L**ARGE, MULTINATIONAL corporations can be very seductive to the retail investor. Globally known names and products, credibility born of many years in business, and diversity that can smooth out a collapse in a particular sector or market can all lead to sustained earnings growth.

Recently, however, vast corporate downsizing and the well-publicized travails of blue-chip companies have dimmed the brilliance of sprawling international concerns with wide-ranging product lines, prompting investors to look into smaller, more market-responsive companies.

Many analysts, acknowledging that market cycles play an important role in determining whether large- or small-company stocks perform better, say that long-term investors should now be looking to small companies for dynamism and earnings growth. Volatility may be greater with small stocks, they add, but holding onto them has clear benefits.

Historically, small-company shares have shown an eye-opening dominance over large-company stocks. According to a U.S. market study by Ibbotson Associates, an investment management consulting firm, an investment made in small companies on Dec. 31, 1925, would be worth considerably more today than the same investment put into large companies, Treasury bonds or Treasury bills.

Defining "small companies" as a combination of the New York Stock Exchange's bottom 20 percent in terms of market capitalization and like-sized companies trading on the American Stock Exchange and over-the-counter markets, the study found that \$1 invested in that index would have grown into \$2,757 by the end of 1993.

In contrast, the same \$1 would have grown into only \$800 if invested in large companies — defined as those listed in the Standard & Poor's 500 stock index — and into \$28 if put exclusively into 20-year Treasury bonds. Thirty-day Treasury bills would have brought \$11.73 from the \$1 play.

The compound annual rates of return over the 67-year period were 12.36 percent for small companies, 10.33 percent for large companies, 5 percent for T-bonds, and 3.69 percent for T-bills. Inflation, as measured by the consumer price index, was 3.13 percent annually.

The volatility of small-company stocks over the same period, however, was 35 percent per year, compared with 20.5 percent for S&P 500 companies.

"The upside is that small-company stocks clearly outperform large company stocks in the long term," said Keith Gotsinger, a senior consultant at Ibbotson. "And the cost associated with those returns is volatility. Small stocks go up quick, and they can also come down quick. But if you can deal with

## Measuring Returns on Investment

Small Companies	\$2,757.00	Small Companies	12.36%
20-year Treasury bonds	\$28.00	20-year Treasury bonds	5.00%

Source: Ibbotson Associates

International Herald Tribune

the volatility and you're a long-term investor with a perspective of 10 years or longer, then you want more small-company stocks in your portfolio."

Mr. Gotsinger said he believed that most investors were unaware of how soundly small companies have outperformed larger ones over time.

"I think most people focus on their riskiness rather than on the potential returns," he said.

Despite the risk associated with new,

**According to a U.S. market study, an investment made in small companies in Dec. 1925 would be worth considerably more today than the same investment put into large companies, Treasury bonds or Treasury bills.**

small companies, many analysts say the reasons these concerns tend to perform better — not just in the United States but, generally speaking, internationally as well — are myriad. One reason often cited is the companies' tendency to focus on a narrow range of products.

"We call some of them 'category killers,'" said Roy McKay, managing director of Scudder, Stevens & Clark Inc., a New York-based fund concern whose stable of products includes small-company funds. "They're high-quality companies that have a singular focus. Some tremendous market caps have been created by such companies."

As examples, Mr. McKay cited Cisco Systems Inc., which makes products used in

building computer networks. Xilinx Inc., a supplier of programmable logic devices, and Zilog Inc., which makes products for the data communications market. Each company is five years old or less and has had huge sales and earnings-per-share growth since going public.

"Most of the recent innovation in certain sectors has also come from small companies," Mr. McKay said. "They're more flexible and can stay closer to the customer. Also, many of them are still largely owned by senior management, and that creates a different intensity level in the way a business is run. If management owns a lot, we know they're working late at night."

Mark Adorian, managing director of Micropal, the London-based fund-tracking company, pointed to the conventional wisdom that small-company stocks tend to do very well during a recovery period, as overall optimism about the market entices investors to court risk. He added that small companies can react to the scent of an upturn more quickly than larger firms. Of course, few market stories are one-sided, and analysts stress that there can be disadvantages to investing in small companies beyond short-term volatility.

First, there is the flip side of the recovery story: Small companies tend to do worse heading into a recession as confidence sinks and investors turn to safer havens. Small companies also can have trouble gaining access to capital when they need it.

In developed markets, however, the consensus is that there is no reason why the history of small-company performance should not repeat itself in the decades ahead.

John Singspiel, executive vice president of Dimensional Fund Advisors, a California-based company that specializes in small-company funds, said her firm's approach to the sector was based on a simple definition.

"We have different thresholds for what we term 'small companies' in different global markets," she said. "But once we establish that threshold, we just buy them all. And the reason why is not complicated: Small companies simply do better over the long term."

## U.S. Funds: The Best and the Brightest

By Michael D. McNickle

**S**MALL caps are risky. For every fund that does well, there seem to be dozens that are laggards. But fund managers that specialize in ferreting out the best U.S. small companies have often succeeded in turning risk into reward.

One example is the Twentieth Century Fund Investors fund, based in Kansas City, Missouri, whose performance over the five- and 10-year periods through this last February was rated first in small-cap funds by Morningstar Actual Funds, the Chicago-based analysis firm. The fund delivered an annualized return of 28.66 percent over the five-year period, and 4.66 percent over the decade.

In addition, the fund ranked first in total return for all mutual funds covered by Morningstar over the 10-year period, and second over five years.

The fund is unique, says Twentieth Century, in that it is designed to be a gift in trust to a child, grandchild, charity or anyone else

other than a spouse. The fund requires a minimum 1-year investment, which Gunnar Hughes, a spokesman for Twentieth Century, said "forces you to do

what you really ought to do: stay invested and ride everything out. We force you to stay in the market, and these kinds of returns are possible when you do that."

"We go for the very, very high flyers. Tiny companies in hot industries, most of them in high technology or biotech."

**I**NVESTORS seeking a more conventional fund — one not limited to gift accounts — might find Putnam's OTC Emerging Growth fund worth investigating. The Boston-based fund ranks second on Morningstar's 10-year high-performance list, with an annualized return of 18.72 percent, and fifth over the one-year period to Feb. 28, with a return of 40.38 percent.

Douglas Foreman, who managed the fund during 1993, said his strategy was to look for fast-growing companies that were very profitable.

"If a company is not a 17 percent grower or better, we don't even look at it," he said. "We like companies with little or no debt, good management, a good track record, and which also own a lot of their own stock."

The fund's industry plays include retail, gaming, health care, HMOs and biotechnology. Mr. Foreman said. Selections that did well last year, he added, included

Snapple Beverage Corp., Liberty Media Corp., and more recently Mid Atlantic Medical Services, which "went up \$5 even on a terrible day."

"We picked it up at about the \$400 million level in terms of market cap and it's already up to about \$600 million or \$700 million," he said.

One fund that has not been around quite long enough to make the 10-year ratings, the PBHG Growth fund, based in Wayne, Pennsylvania, has gained considerable investor enthusiasm in recent years. The fund attracted money like a magnet when it changed to no-load status in early 1993; funds under management have grown from about \$3 million then to \$340 million today.

**A**MONG small-cap funds covered by Morningstar, PBHG Growth's performance placed first over the three-year period through Feb. 28 with an annualized return of 35.57 percent.

"We use a bottom-up, stock-by-stock sort of approach," said Gary Pilgram, who has managed the fund since its inception in 1985. Mr. Pilgram said the fund currently had a list of about 430 stocks that it considers, with about 100 being presently invested. The companies are spread across four major industries: technology, consumer goods, health care and business services.

"On average, the companies are in the \$250 million- to \$500 million-range in terms of revenue," Mr. Pilgram added. "They're typically growing well in excess of 25 percent annually, and they are companies that we would characterize as being in the emerging growth stage. Not the start-up, not the first two or three years, but the second stage where things are coming together and where you can say with some assurance that there is a high probability of sustainable growth."

Rounding out the best-perform-

ing small company funds in the United States is the MFS Emerging Growth fund, based in Boston, which turned in annualized returns of 41.97 percent, 31.05 percent and 26.61 percent over the one-, three- and five-year periods through the end of February.

"We try to be early, and we feel we get lower valuations when we are early," said John Ballen, the fund's manager. "We can take significant positions with a lot of upside potential. We also try to find companies which we think are reasonably rapid growers, say 20 percent or better, and we've been able to find those kind of companies. Someday they'll get recognized by other investors."

Some examples of the fund's approach, Mr. Ballen added, include very early investments in Microsoft Corp., Office Depot Inc. and McGraw-Hill Companies. MFS Emerging Growth, with more than \$500 million under management, was closed to new investors earlier this year to preserve the flexibility of the fund. Mr. Ballen said, however, that the company had opened two new funds, the World Growth fund and the OTC fund, that would follow an investment strategy similar to the Emerging Growth fund.

For those who want to take the plunge into this investment arena, a word of caution. Experts say it is decidedly not the place to jump in and out of the market. Michael J. Corbett, a senior analyst with the Chicago-based Mutual Fund Letter, said that investors "need to pay attention to the increased risk and the volatility involved."

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DAVE BARRY

## The Stupidity Ray...

Miami — I see by the newspapers that solid progress is being made by the failed Clinton administration, which has finally moved beyond the Bumbling Around Cluelessly Phase and is now deep into the Big Incomprehensible Scandal Phase.

This is good. Under our system of government (called, technically, "The Goober System"), the primary function of the executive branch, aside from frowning sincerely down from helicopters at natural disasters, is to get involved in vast, festering legal messes that affect the legislative process in a manner very similar to what happens when you attempt to flush a dead mouse down a commode. Everything gets stopped up. Which is exactly what we want.

That's why there's a top-secret, high-tech, self-activating device in the White House attic called the Stupid Ray. I'm sure you have long suspected that there was such a device. You have noticed that we keep sending all these brilliant people to the White House, and the instant they grab hold of the controls of the Ship of State, they become Jerry Lewis starring in "The Nutty Administration."

Take Richard M. (Dick) Nixon. Here is a man with an IQ of 384 who every six weeks produces a hardcover book explaining how we can solve every problem in the entire world, and look what happened when he got into the White House:

NIXON (to his aides): ... And our first priority must be the implementation of the New Federalism, with the concomitant amalgamation of the structural parameters of the ... STUPID RAY: Hummmmm

NIXON: ... I know! Let's install a tape recorder in here, then discuss a criminal conspiracy! AIDES: Great idea, sir!

And it wasn't just Nixon. Jimmy Carter was a nuclear engineer. Do you think a nuclear engineer with an unimpaired brain is going to tell reporters that he was chased by a GIANT SWIMMING RABBIT?

And now we have the Clinton administration, loaded with brains, flailing around like a blindfolded mud wrestler in this Whitewater affair.

We here in the print medium are

working overtime to keep you abreast of this affair by cranking out long, fact-filled stories. Each is carefully reviewed prior to publication by a team of brilliant theoretical physicists headed by Stephen Hawking; if these people have even the faintest clue as to what the story says, we rewrite it to make it more incomprehensible for you, the average citizen.

This is easy for us, because even WE don't understand this scandal. All we know for sure about Whitewater is, it has something to do with — surprise! — a failed savings and loan. EVERYTHING has to do with a failed savings and loan.

Here's what I want to know: Did YOU, personally, ever have any money in a failed savings and loan? No, right? Neither did I. Neither did anybody I know. I bet neither did anybody you know. So where the hell are all these failed savings and loans coming from? Who put all these billions of dollars into them that we taxpayers are always paying back? Space aliens? Are we bailing out Martians here?

This is only one of the many Whitewater questions now under investigation. And although of course it would be wrong to pass any judgment before all the facts are known, we can safely assume that everybody involved is guilty. The Republicans cannot BELIEVE their good luck, but they are trying to be cool about it. As Senate Minority Leader Bob Dole (R-Missouri) put it in a recent speech, "We cannot allow work on critical national issues to be halted by a shortsighted partisan obsession with Whitewater. Whitewater neither concerns nor haunts us."

Speaking of issues: There are some other ones, such as the budget deficit, and the fact that you apparently can write "RUSSIAN AGENT" on your Central Intelligence Agency employment application and still get a high-level job, and as concerned citizens we SHOULD be thinking about these things, and demanding better from our leaders, but every time we try to ... Hummmmmmm

Knight-Ridder Newspapers

## Roman Polanski's Take on Hollywood

By Joan Dupont

BOULOGNE-BILLANCOURT, France — Roman Polanski is drinking tea and eating a piece of matzo, his lunch break between shots. His new movie, "Death and the Maiden," adapted from the play by Ariel Dorfman, is being made with American producers and European funding in the Paris suburb of Boulogne, an unusual situation that suits his unique predicament. Since he cannot go to Hollywood, Hollywood has come to him. "Hollywood-sur-Seine," he calls it, with a wry laugh, saying how happy he is to be shooting in this venerable, if dilapidated studio.

With his finny features and clever-child gaze, Polanski resembles a marble faun, weathered by time. It has been a good season for the director, who has had many calamitous ones. He recently acted in Giuseppe Tornatore's "A Simple Formality," opposite Gérard Depardieu, a film that is slated for the Cannes festival; a retrospective of his films and shorts is on in Paris, and above all, he is back at work.

He wrote the script for "Death and the Maiden" in just six weeks with Rafael Yglesias, who came to Paris to work with him — "It was a great encounter," he says. In the movie, Sigourney Weaver plays a woman tortured under a dictatorship. Her lawyer husband (Stuart Wilson) is named to investigate the crimes of the previous regime; when he befriends a doctor (Ben Kingsley) and brings him home, the woman is convinced this man was her torturer, and makes him her prisoner.

Ever since "Knife in the Water" (1962), his first feature, the cat-and-mouse game played out in *huis clos* has been a Polanski theme. "But this is the surface, just the action, it's not what the film is about," he says. "What I find interesting is the theme of the relativity of truth — the Rashomon theme — whose story is it? Can you really establish the truth? And how to deal with the past in a country that so drastically changed the nature of its regime? I lived with this in Poland on many occasions. How do you deal with those who were your oppressors?"

Attuned early in life to the ironies of shifting regimes, Polanski has always



Polanski in Paris: Best of both worlds?

heads for the set, pointing out the charms of the studio on the way — one of his gripes with the New Wave is that they deserted the studios in shoot on location. "This one is going to be down town too," he says. "I managed a deal so we could shoot here — it's the last year, I mean the swan song."

He complains of forgetting his English after all these years in France. Years ago, he commanded the language and big money with movies like "Rosemary's Baby" and "Chinatown." Yet he remains profoundly European, and critical as he is of French filmmaking, he is on the side of France in the debate about state support. "I believe that some form of subvention is necessary for cinema to survive in Europe. We don't have an industry in American terms — it's artisan's work here. Without that little help the government gives, many films wouldn't see the day. Ours wouldn't, nor would have 'Bitter Moon' (his previous film). Look what happened to the British film industry when they stopped state subsidies."

"Is it protectionism to give money for museums or ballet? Why is cinema different? In the U.S., the money comes from private sources or corporations, but it's tax deductible, so it comes to the same thing. But I am against quotas, violently, because I come from the country of one big quota — you could only see films or plays that were government-approved or sponsored."

On the set, Tonino Delli Colli, director of photography for Fellini and Sergio Leone, who worked on "Bitter Moon," is waiting for him. So is Weaver, smoking nervously, and Kingsley, sitting in the living room, bound to his chair, head bloodied, mouth taped.

"Sigourney took up smoking for this film," the director says. But she is not easy with it, any more than she is with the gun that she has to fire in Kingsley's direction. Polanski shows her how to smoke — "Don't kiss the cigarette!" He removes Kingsley's tape to give him a breather, and gets behind the camera.

"Roman edits as he shoots; he doesn't wait for the cutting room," says Thom Mount, the producer. Mount first worked with Polanski on "Frantic"; he has been working on the movie, which started out at Warner Bros., for two years.

"I made a co-production deal with France, England and Spain after Warner backed down. There's not a penny of American money in the film," he says. "Hollywood is a bit terrified because Roman can't work there and they have no control over him. In America, he's seen as a villain, like Charlie Chaplin."

On stage, "Death and the Maiden" played from Broadway, directed by Mike Nichols, to Brazil, directed by Hector Babenco. Dorfman is one of the movie's producers and comes on the set regularly. "We are doing something important on the subject of trust and reconciliation in this film, showing that democracy is a personal issue, not just the business of governments," Mount said. "And nobody has lived these conflicts like Roman."

Polanski, who now lives in Paris with his wife, the actress Emmanuelle Seigner, was raised in wartime and was on his own early. As a child in Krakow, he witnessed his mother's arrest; at 8, he escaped from the ghetto before it was destroyed, and spent years in hiding. After the war, he went back to Krakow and was reunited with his father; his mother did not return. In May 1968, when he came to the Cannes festival with Sharon Tate, star of "The Fearless Vampire Killers," he was a famous filmmaker, about to start his own family. The following year, eight months pregnant, Tate was murdered by the Manson clan in the Hollywood hills.

In 1977, the director was again in the headlines, charged with statutory rape in Los Angeles; released on bail, he left the country. For his detractors, his film fascination with the grotesque has been proven evil, although there is more menace than bite in those films; and since Tate's murder, he has been accused of transposing morbid obsessions — with violation and murder — to his movies.

The accused man, now 60, paces the set with lupine grace, acting out the parts, showing Weaver how to handle the gun.

Nothing has changed, he says. "For the moment, I can't think of working in the U.S." Nor can he work in any country from which he can be extradited on that charge. His universe has shrunk. What has changed is that he is a father for the first time. "It's phenomenal to have her," he said.

Joan Dupont is a Paris-based writer specializing in the arts.

## PEOPLE

## Court Ups the Stakes In Warhol Estate Battle

A judge says Andy Warhol's estate is worth about \$510 million, nearly \$300 million more than its executors had declared, which means the Warhol Foundation, the estate's principal beneficiary, could owe the estate's former lawyer, Edward Hayes, at least \$5 million in legal fees. Hayes and the foundation have been fighting over the value of property the pop artist left when he died in February 1987. Hayes, whose fees are 2 percent of the estate's total value, claimed that it was worth about \$700 million; the foundation, relying on appraisals by Christie's auction house, said it was worth \$220 million. The estate has already paid Hayes \$4.85 million for work he did from 1987 until he was fired last summer.

Princess Diana has agreed to make two public appearances at D-Day anniversary events. She will unveil a monument to the Canadian war effort on June 3 in London and will join other members of the royal family at a commemorative service on June 5 in Southsea.

The Marquess of Blandford was arrested in the wee hours of Friday, less than 24 hours after he had appeared in court on other charges. He was charged with using offensive language and behavior at a late-night pharmacy and was released on bail. On Thursday, Blandford pleaded guilty to stealing a checkbook and forging checks but denied he had refused to pay a taxi fare. He was released on bail then, too.

The unthinkable happened at London's genteel Royal Opera House — young composers opposed to avant-garde music booted loudly at the end of a sold-out performance of the opera "Gawain." About 30 people, who call themselves the Hecklers, shouted, "Boo, fraud and rubbish!" at the end of the work by Sir Harrison Birtwistle. Helen Anderson of the Royal Opera House said, "Organized heckling belongs more to times past and I believe it's time past that these young people reverse."

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## WEATHER

Forecast for Sunday through Tuesday, as provided by Accu-Weather.

## Europe

	Today	Low	High	Low	High	Low	High
Algeria	18/24	8/14	18/24	10/18	14/20	10/18	14/20
Amsterdam	12/13	6/13	12/13	11/12	14/14	11/12	14/14
Athens	21/22	14/14	21/22	15/15	18/18	15/15	18/18
Berlin	14/17	5/17	14/17	11/12	14/14	11/12	14/14
Bombay	22/27	13/13	22/27	13/13	16/16	13/13	16/16
Buenos Aires	14/17	3/17	14/17	11/12	14/14	11/12	14/14
Buenos Aires	13/15	4/15	13/15	10/10	13/13	10/10	13/13
Buenos Aires	10/16	1/16	10/16	7/7	10/10	7/7	10/10
Copenhagen	11/12	1/12	11/12	8/8	11/11	8/8	11/11
Geneva	10/12	1/12	10/12	7/7	10/10	7/7	10/10
Hamburg	11/12	2/12	11/12	8/8	11/11	8/8	11/11
London	12/13	3/13	12/13	9/9	12/12	9/9	12/12
Madrid	15/16	6/16	15/16	12/12	15/15	12/12	15/15
Moscow	13/15	4/15	13/15	10/10	13/13	10/10	13/13
Munich	14/17	5/17	14/17	11/12	14/14	11/12	14/14
Nairobi	14/17	3/17	14/17	11/12	14/14	11/12	14/14
Paris	11/12	2/12	11/12	8/8	11/11	8/8	11/11
Rome	16/17	7/17	16/17	13/13	16/16	13/13	16/16
Stockholm	10/12	1/12	10/12	7/7	10/10	7/7	10/10
Taipei	14/17	3/17	14/17	11/12	14/14	11/12	14/14
Tokyo	14/17	3/17	14/17	11/12	14/14	11/12	14/14
Zurich	13/15	4/15	13/15	10/10	13/13	10/10	13/13



**North America**  
Boston to Washington, D.C., will be dry and cool Sunday. Monday into Tuesday, a spring heat wave will continue from Phoenix to Salt Lake City early next week. The southern United States will be dry and pleasant. Very cold air across Canada will reach the northern Plains Tuesday.

Middle East					Latin America				
	Today		Tomorrow			Today		Tomorrow	
	High	Low	High	Low		High	Low	High	Low
	°C	°F	°C	°F		°C	°F	°C	°F
Bahia	27/28	81/82	25/27	77/81	Buenos Aires	20/24	68/76	21/24	70/75
Bahia	33/31	91/87	34/33	93/91	Caracas	24/24	75/75	30/29	86/84
Damascus	27/28	81/82	26/28	79/82	Lima	20/23	68/73	24/26	75/79
Damascus	23/21	73/69	23/23	73/73	Medellin	24/25	75/77	25/25	77/77
Luzon	37/38	100/101	40/104	105/218	Mexico City	25/29	77/84	27/30	81/86
Luzon	31/28	87/82	34/30	93/86	Santiago	24/25	74/77	22/21	72/70

Legend: s=sunny, p=partly cloudy, c=cloudy, sh=showers, h=hurricanes, v=very, sh=showers